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A model of relationship commitment for a consumer service with low monetary switching cost

Indriati Wonosoebekti
University of Wollongong

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**A MODEL OF RELATIONSHIP COMMITMENT FOR A
CONSUMER SERVICE WITH LOW MONETARY SWITCHING
COST**



A thesis submitted in partial fulfilment of the requirements

for the award of the degree

Honours Master of Commerce in Marketing

from

University of Wollongong

by

Indriati Wonosoebekti

B.Econ (Satya Wacana Christian University - Indonesia)

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ABSTRACT

Relationship marketing has become the focus of both academic researchers and practising marketers in recent times. Customer commitment is one of the most favourable outcomes of relationship marketing. Although there has been much research investigating the antecedents of relationship commitment, research to date has almost exclusively concentrated in a business-to-business setting. However, almost no attention has been paid either developing or testing a model of relationship commitment in a consumer service industry context.

The primary purpose of this research is to develop and empirically test a theoretical model of relationship commitment within the context of a buyer-seller relationship framework, in a consumer service industry. In particular, the research context examines a low monetary switching costs service (i.e., travel agency services). This research examined the simultaneous impact of salesperson expertise, perceived performance (service outcome), length of patronage, and relationship quality (relationship satisfaction and trust) on relationship commitment, in a causal path framework. The impact of three moderator variables (psychological switching costs, alternative attractiveness, and relationship motives) on the linkage between relationship quality and relationship commitment was also tested in this research.

The data used to test the path model was obtained from a cross-sectional survey of 265 travel agency customers. Three statistically significant antecedent variables (length of patronage, trust and relationship satisfaction) explained 60 percent of the variance in relationship commitment. When both direct and indirect effects are accounted for, relationship satisfaction had the greatest overall impact on relationship commitment, closely followed by salesperson expertise. Trust and perceived performance (service outcome) also have a significant impact on relationship commitment. Length of patronage, unexpectedly had a direct impact on relationship commitment. Psychological switching cost was not found to have a moderator impact. Alternative attractiveness was found to moderate only the linkage between trust and relationship commitment. Relationship motives was found to comprise two dimensions (i.e., emotional motive and rational motive). Only the emotional motive dimension was found to have a statistically significant moderator impact.

This findings considerably add to our understanding of the long-term relationship between buyer and seller, for consumer services in general and low monetary switching costs services in particular. Further, the findings further have significant implications for business managers.

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Chapter 1

Introduction

The primary purpose of this study is to develop and empirically test a theoretical model of consumer relationship commitment within the context of a buyer-seller framework, in a consumer service industry, i.e., travel agency services.

Relationship marketing has become the focus of many academic researchers and practising marketers in recent times. Much literature to date has been devoted to examining relational exchanges in distribution channels and business-to-business settings (e.g., Anderson and Narus 1990; Anderson and Weitz 1992; Jackson 1985). However, when it comes to consumer marketing and services in particular, there is relatively little empirical research concerning relationship marketing issues (refer Crosby, Evans and Cowles (1990) for an exception). This empirical study is an attempt to further build on the findings of previous study in the field of relationship marketing and management. Furthermore, this is one of the few studies that has analysed relationship marketing in a consumer services context.

This chapter will now examine the importance of research in relationship marketing from both managerial and academic perspective. A brief overview of research in travel agency services will also be presented. Finally, the research objectives central to this thesis will be outlined.

1.1 The Academic Importance of the Topic Area

A great deal of managerial and academic literature has focussed upon the role of relationship marketing in more competitive business environments. This is evidenced by the large volume of literature devoted to this concept.

The purpose of this section is to establish that the topic of relationship marketing is an area worthy of academic research.

Kotler (1991) stated:

Transaction marketing is part of a larger idea, that of relationship marketing. Smart marketers try to build up longer, trusting, "win-win" relationships with customers, distributors, dealers, and suppliers (p.8).

Thus relationship marketing means participating in exchanges characterised by "win-win", "helping", and "fairness" in which the two parties display high levels of trust toward each other. As further described by Czepiel (1990), a relationship is a situation that must be *mutually recognised* by both parties as *mutually beneficial*. Thus, it is important to examine the relationship from the perspective of the customer, because if the customer does not perceive a relationship to exist, then no relationship does exist. Barnes (1995) comments:

The importance of the customer's perspective in viewing the relationship is critical because it is the customer, generally, who is being courted....The occasions when a company walks away from a relationship with a customer are much less frequent in the consumer marketing context (p. 139).

Moreover, Fischer and Bristor (1994) noted that most of the literature on relationship marketing was driven by studies of business-to-business marketing. Relationship marketing is also often regarded by some scholars as appropriate only with "customers who have long time horizons and high switching costs" (Kotler 1991, p. 680), which is more typical of business customers. A situation where a customer is locked into a relationship through high switching costs or other exit barriers, however, does not meet Kotler's definition of a relationship as a "win-win" situation, because such "locked in" customers may be in the relationships against their will (Barnes 1995).

Therefore it is likely that, while the marketer may be satisfied with the situation, the customer may be dissatisfied and may abandon the relationship at the earliest opportunity and start to do business with another firm.

This study focuses on consumer marketing: in particular, consumer services. In consumer services, buyers and service providers often directly interact during the production and consumption process. Moreover, repeated patronage will create an opportunity for the development of long-term buyer-seller relationships. Additionally, as will be further discussed in Chapter 2, the unique characteristics of services, i.e. intangibility, variability, inseparability and perishability, will naturally encourage a consumer to stay with a service provider. Thus, a successful relationship with customers is more likely to be built over time, rather than merely to locking them in to contracts or imposing other barriers to exit, such as a membership fee.

Hence, this study, rather than examining relationship marketing in the business context, is an attempt to develop a conceptual model of the determinants of relationship commitment and empirically test it in a consumer services marketing context. Having outlined the academic importance of research in relationship marketing, the importance of relationship marketing to management will now be examined.

1.2 The Managerial Importance of the Topic Area

Basically, profits from customers can be increased in three ways. The first is to acquire new customers, the second is to enhance the profitability of existing customers, and the third is to maintain the relationship with existing customers for a longer time (Grant and Schlesinger 1995). However, due to several pieces of evidence suggesting that the cost of attracting new customers is higher than that of retaining an existing one, relationship marketing has been regarded as one of the most relevant strategies to cope

with keener competition in the market place. Christopher, Payne and Ballantyne (1991) in the introductory section of their book "Relationship Marketing", state:

Relationship marketing represents a new opportunity for organisations to gain a competitive edge in the turbulent business environment of the 1990's.

There are several reasons for the renewed interest in long-term buyer-seller relationships by many organisations:

(a) Increased competition in consumer markets.

As products and services in nearly every segment of the economy are reaching market parity (Vavra 1992), both manufacturers and service firms are finding it harder to establish sustainable technology-based advantages. Customers are gradually becoming more sophisticated, and demanding more than a technical solution to a problem. Firms have to take into account the new requirements by the market in order to add more value to the technical solution embedded in a good or a service. Consequently, more services and service-like auxiliaries are developed and included in the offering as an additional means of product differentiation, as well as a tool to strengthen the relationship with the customer (Kotler 1990; Gronroos 1990). Evans and Laskin (1994) have also suggested how relationship marketing can be used to differentiate the firm's offering and create a value added for its customers:

Customers should be integrally involved (consulted) in the design, development, manufacture, and sales of products. With relationship marketing, a firm can exploit the total product concept and maintain stronger advantages (p. 439)

(b) Growing body of evidence concerning the relative cost of attracting new customers

Related to practising or applying the concept of relationship marketing in business and/or other organisations, the major purpose is on keeping profitable customers rather than on continually seeking new ones. Research by the U.S. office of consumer affairs concluded that attracting new customers can cost as much as five times the amount of retaining an existing one (Peters 1988). In addition, research by the consulting firm Bain and Co. suggests that there is high correlation between customer retention and company profitability (Reicheld and Sasser, 1990). They point out that a few percentage points in customer retention improvement can have a dramatic impact on profitability. For example, a 5 percent increase in customer retention can increase profits from 50 percent in insurance brokerage services to 75 percent in the credit card business.

(c) Profit from reducing costs

Overall, long-term customers tend to have lower maintenance costs (Bateson 1995). Existing customers become accustomed to the company, employees, and procedures, and therefore ask fewer questions and have fewer problems. New customers usually are unfamiliar with the services script, or the procedures, therefore these must often be explained. Consequently, adding new customers generate additional service costs, and existing customers may receive lower than average service. Additionally an effective customer relationship program can motivate staff and increase their willingness to perform excellent customer service (Payne 1993).

(d) Profit from referrals

Another benefit of customer retention is the positive word-of-mouth generated by satisfied customers. Existing customers are necessary for a firm to develop a reputation that attracts new business. Satisfied customers often refer businesses to their friends and family. As discussed in Chapter 2, personal sources of information are particularly important to consumers of services due to intangibility and the perception of increased risk associated with the purchase. For example, a leading home builder in the United States has found that 60 percent of its business is based on referrals from past customers (Reichheld and Sasser 1990).

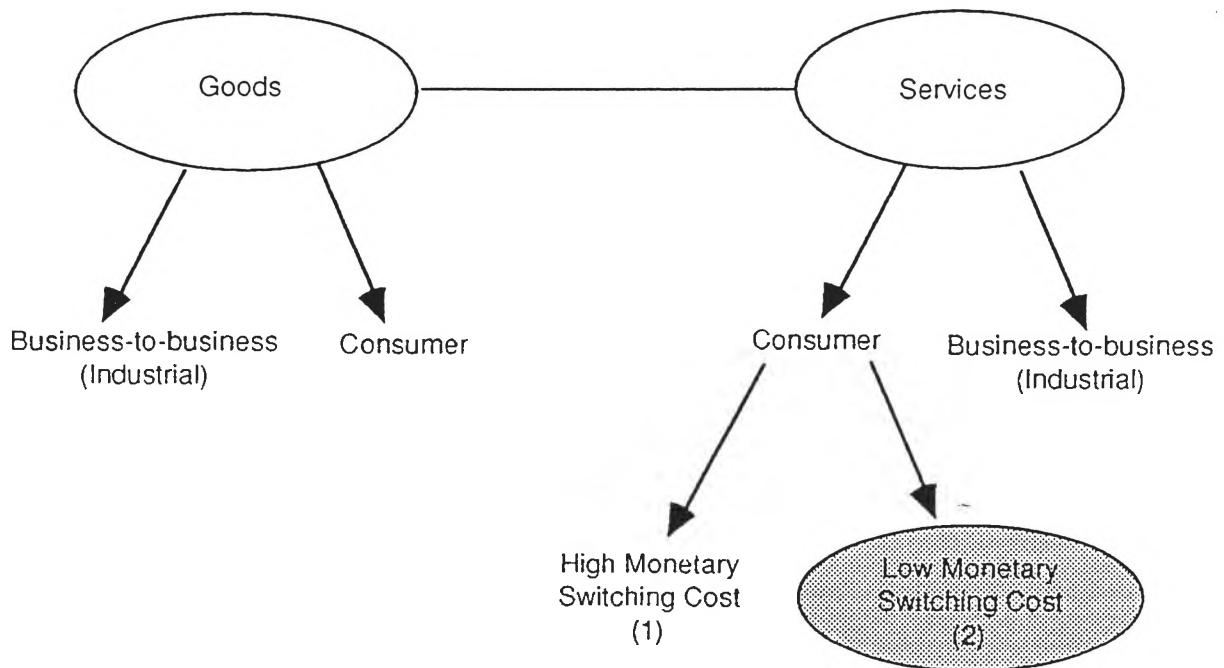
As discussed previously, keeping a customer is therefore a key strategic issue for service firms to address, especially for those in a highly competitive environment. As such, success in a competitive environment can often rely heavily on the effectiveness of the marketing strategy employed in a firm. The effectiveness of such processes is a key concern to management, as a large percentage of financial and human resources are often committed to such activities. Recently, it is obvious that many firms want to be able to build relationships with their customers so that they will be inclined to continue to do business with the firm. However, there is little consistency in how relationship marketing is defined or practised. An assumption that a relationship can be formed with any customer, in any situation, is inherent in the application of relationship marketing in many firms (Barnes 1995). The result is that resources are wasted in a futile attempt to form a relationship. Therefore, awareness needs to be created amongst management that relationship marketing should not be applied in all situations (Blois 1995; Barnes 1995). Hence, a better understanding of the application of relationship

marketing in consumer services, as has been undertaken in this study, may contribute some valuable insights to service providers.

1.3 Research Context

In the service sectors, relationship marketing has long been recognised. This is particularly the case in commercial banking and financial services where it is generally acknowledged that the service is complex and customised, and buyers are relatively unsophisticated about the service. Moreover, the environment is dynamic and uncertain (Crosby, Evans and Cowles 1990). Furthermore, in such services, customers usually need to enter a formal relationship (which often involves a significant amount of money) with the service provider. Thus exiting or terminating the relationship with the service provider will require the buyer to incur costs. Such costs can be defined as switching costs or terminating costs (Porter 1980). Switching costs can be derived from two categories, i.e. monetary (or economic) and psychological (Ping 1993). Commercial banking and financial services are characterised by high monetary switching costs. On the other hand, in services such as travel agency, hairdressing, or restaurants customers are not compelled by high monetary switching costs to continue to engage in a formal relationship with the service provider. Some customers will choose to stay with one particular service provider, while others will not. It is however, relatively difficult to lock in customers through a membership or contract. Hence such services can be classified as “low monetary switching costs” services. Studying such services has the advantage of allowing key determinants of the relationship to emerge without the confounding effects of high monetary switching costs. This is the primary reason for choosing travel agency services as the focus of this thesis. Figure 1.1 provides a schematic view of these differences.

Figure 1.1 A Classification of Goods and Services



Notes :

- 1 e.g. Insurance, Airlines (Frequent Flyer Program)
- 2 e.g. Hairdressing, Travel Agencies, Restaurant Services

The study of relationship marketing in consumer services has been largely ignored to date, some of the notable exceptions being empirical studies in life insurance services by Crosby, Evans and Cowles (1990), Crosby and Stephen (1987), and exploratory work by Morgan and Chada (1993). A limitation of relationship marketing studies conducted in high switching cost environments (i.e., situations where a company locks a customer into a relationship through a contract or membership arrangement) is that these environments do not meet Czepiel's (1990) nor Kotler's (1991) definition of a relationship as a situation that is acknowledged to exist by both parties and *mutually beneficial*. Furthermore, as a consequence of the limited amount of research, we know little about the relationship development, the antecedents of relationship commitment or how relationship marketing has been applied among consumer service providers either in low or high switching cost services.

Furthermore, travel agency services were chosen as the research domain for several managerial reasons. First, they are an important intermediary and possess a significant role in the broader Australian tourism industry. They represent "the primary distribution intermediary for travel products world-wide" (Bitner and Booms 1982, p.41). Moreover, tourism has become one of Australia's major growth industries and an important area of economic activity. The Bureau of Tourism Research (BTR) has estimated that in 1990/91 the tourism industry accounted for about 5.4% of Australia's Gross Domestic Product (GDP). It generated an estimated spending of \$23.2 billion in Australia with the major proportion of this expenditure attributable to domestic tourism (86%).

The role of travel agents is also an important factor to consider, since they are professionals who draw on a body of knowledge and skills to help travellers get the pleasure they want (Lundberg 1974). Bitner and Booms

(1982) also noted that agents are now expected to be professional counsellors who must possess an in-depth knowledge of products and destinations and have immediate access to travel information through the use of information system. A number of studies have also described those travellers most likely to use the services of travel agencies. Snepenger et al. (1990), in analysing the search strategies used by destination-naïve pleasure travellers, found that travel agents are considered to be the principal source of information consulted. Finally, travel agent themselves believe that many travellers rely heavily upon agencies to help them make the final choice of a travel package (Kent, Meyer, and Reddam 1987).

Although travel agencies are important intermediaries in the tourism industry and seem somewhat typical of many "pure" services (i.e., highly intangible and high contact), surprisingly little research has been reported on these agencies (LeBlanc 1992). Kendall and Booms (1989) have noted a serious lack of research with regard to how customers perceive travel agencies, choose agencies, and react to agency advertising.

Therefore, the lack of research into travel agencies, together with focusing attention on service provider-customer interaction in developing and maintaining a long term relationship in consumer services context, provides the basis for this study.

1.4 Research Objectives

There has been much research in the relationship marketing area but mostly dealing with business-to-business and channel relationships in particular. Furthermore, most have examined the relationship from the provider's, rather than customer's perspective (Barnes 1995). As with many new avenues of investigation, gaps exist in the literature, and refinements to

existing knowledge are necessary. Accordingly, this study attempts to address the following research problem, and six research questions.

General Research Problem:

To develop and empirically test a model of relationship commitment in a path analytic framework in the context of a low monetary (economical) switching cost, consumer service i.e., Australian travel agency services.

The model represents an attempt to identify antecedents and consequences of enduring sales relationships in services selling. The exogenous variables in the model encompasses salesperson expertise (product and market knowledge, responsiveness and empathy), perceived performance (service outcome), and length of patronage. The endogenous variable of relationship quality is conceived as a two dimensional construct consisting of relationship satisfaction and trust. Finally, relationship commitment is represented as the outcome in a relationship.

Relationship commitment has been recognised as the expected favourable outcome in a long-term relationship. Furthermore, commitment has long been central in the social exchange literature (Thibaut and Kelley 1959). Hence, the key dependent variable in this study is relationship commitment.

The travel experience is an intangible product, therefore, the salesperson often needs to explain and describe the benefits and features of such "products" (Johnson, 1981). Moreover, many travellers have no experience about their destination, in which case the sales person's advice on accommodation, transportation, attractions and physical conditions in the destination become more important. Therefore, good communication skills to gain an understanding of customer needs, and make the customer feel

comfortable to discuss their needs more openly. Thus, in a high degree interpersonal selling situation such as travel agency services, salesperson expertise requires not only excellent product knowledge but also responsiveness (willingness to help customers and to provide prompt service) and empathy (the provision of caring and individualised attention to customers).

Gronroos (1990) views the customer-service provider relationship as an interaction which involves giving and fulfilment of promises. Outcome refers to the reliability in providing the promised service. Therefore, being reliable means the customer can rely on the travel agent's arrangements and/or suggestions.

When "the product" is a service whose attributes are often experience-related, evaluation is only possible after purchasing or consuming the product (Zeithaml, Berry and Parasuraman 1988). Hence, length of patronage is thought to be an important determinant of long-term relationship development, and is therefore included in this study.

Crosby, Evans, and Coles (1990) has noted that in personal selling context, customers have to be able to rely on the salesperson's ability and confidence in salesperson's future performance because their level of past performance has been consistently satisfactory. Moreover, trust is particularly important in relational context where individuals seek predictable and obligatory behaviour on the part of their relational partner so that a relatively high degree of certainty is attached to future reward (Miller and Rogers, 1987). Therefore, relationship quality comprises at least two dimension i.e., mutual trust and satisfaction with the current relationship.

How the link between relationship quality and commitment may vary under different situation (i.e. high and low) of psychological switching cost and relationship motives has also been investigated. When the nature of the

switching costs is a psychological one, not all customers perceive the presence of the switching costs. The effect of satisfaction and trust on relationship commitment is expected to be enhanced when customers perceive higher psychological switching costs. In addition, Rempel, Holmes and Zanna (1985) found that individuals will exhibit trust only to the extent that they see their own motives as positive and contributing to the maintenance and enhancement of the relationship. Moreover, Bagozzi (1995) pointed out that relationships are maintained out of self interest. If therefore they are maintained out of self interest, then it stands to a reason that circumstances or conditions might exist that alter the link between relationship quality and commitment. Therefore, the strength of psychological switching cost and relationship motives have been examined as moderator variables. A more thorough discussion of each construct is presented in Chapter 3.

The research questions to be addressed in this study are:

1. To what extent does the travel consultant's expertise (product knowledge, responsiveness and empathy) directly influence relationship satisfaction and trust ?
2. How important is the role of perceived performance (service outcome) in determining relationship satisfaction/dissatisfaction, and building and maintaining trust between client and travel consultant ?
3. Is the trust developed between client and travel consultant a function of length of patronage?

4. To what extent does the degree of relationship satisfaction and trust mediate the relationship between travel consultant expertise, perceived performance (service outcome), and relationship commitment ?
5. Do psychological switching costs moderate the relationship between trust, satisfaction and commitment ?
6. To what extent do relationship motives moderate the relationship between trust, satisfaction and commitment ?

This chapter has attempted to establish the academic and managerial importance of the topic area, as well as enunciate the research context and six specific research questions which are the focus of the study. The following chapter, Chapter 2, provides a review and synthesis of the literature in the domain in which this research is conducted i.e., the services and relationship marketing literatures. The main purpose of the chapter is to provide the background for this study by reviewing the extant literature.

Following the synthesis of the literature, the conceptual model for this study is presented in Chapter 3. Several specific research hypotheses to be tested are also outlined in the chapter. Chapter 4 discusses the methodology used, and in particular examines the major analytical method (i.e., path analysis) employed in this research. In addition, it shows how the key constructs and variables were operationalised for data collection.

Chapters 5 and 6 then present the research findings. The final chapter addresses the academic contribution of this research. It also describes the limitation of the study and managerial implications of this research.

Chapter 2

Theoretical Background

In the previous chapter the importance of examining relationship marketing in the service industry was briefly established. The purpose of this chapter is to review the literature concerning service industries in general and relationship marketing in particular. First, a review of the literature on services marketing will be presented. The second part of this chapter will synthesise literature concerning relationship marketing and management. Finally, gaps in the extant literature will be outlined.

2.1. A Review of the Literature on Services Marketing

2.1.1 Service Definition

A range of "service" definitions have been suggested and discussed in the literature. However, there has been no consistent definition of what constitutes a service (Palmer 1994). Lovelock (1991, p.13) stated that a service is a "process or performance, rather than just a thing" (or object), while Kotler (1988) claimed that service is an activity or benefit that is essentially intangible, and does not result in ownership of anything when it is exchanged. In addition, its production may or may not be tied to a physical product. Bateson (1989) claimed that with services the consumer is purchasing an experience. Services have also been defined in terms of both a process (i.e., the production of the service including the buyer-seller interaction) and an outcome (e.g., enjoying the meal in a restaurant, receiving the marketing research report) (Gronroos 1984).

Gronroos (1990) seems to have captured many of these views when he proposed:

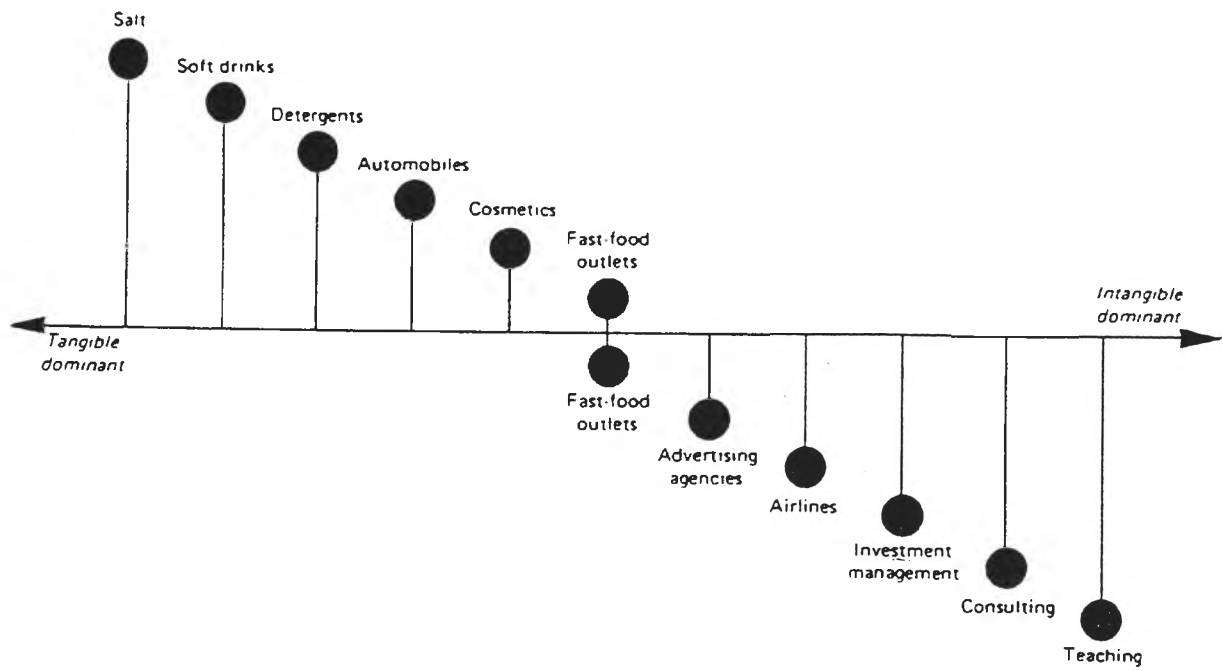
A service is an activity or series of activities of a more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems (p. 27).

These views indicate that definitions of service seem to depend on the characteristics of the service, with intangibility being the main feature that distinguishes services from goods. As Gummesson (1987) has noted, service definitions vary among authors. However most scholars point out that one of the basic characteristics of services is that they can be exchanged, although they often cannot be experienced in a tangible sense. Moreover, often services do involve interactions with the service provider, although the parties involved are not always aware of it.

Although it is possible to define services, in practice it can be difficult to distinguish services from goods, particularly when an element of service is included when a good is purchased. For example, an automobile distributor sells an automobile with a warranty, service, and maintenance instructions. Similarly, a service is frequently augmented by a tangible product attached to the service. For example, airline passengers are buying transportation service. They arrive at their destinations without anything tangible to show for their expenditure. However, the trip includes some tangibles, such as food and drink, airline magazine, and a ticket. Moreover, the service requires a capital-intensive good i.e., an air-plane for its delivery. Shostack (1977) proposed a model which describes businesses along a continuum according to their weighting or mix of tangible/intangible components. This model is depicted in Figure 2.1.

Figure 2.1

Scale of Market Entities



Source : Shostack (1977, p.76)

Figure 2.1 shows, management consulting services and other professional services (e.g., legal services, engineering, architectural) are at the "intangible dominant" (pure service) end of the scale, while products such as soap and soft drink are examples of "tangible dominant" products (products with little if any service component attached). However, a room in a hotel is a combination of tangible elements (the room, physical surroundings) and intangible service elements (reservation service, friendly staff).

Shostack (1977) commented that:

The greater the weight of intangible elements in a market entity, the greater will be the divergence from product marketing in priorities and approach (p.41).

Shostack's view emphasises the differences that exist between goods and services. Thus the tools and frameworks used for goods marketing cannot simply be translated to a service marketing context. In the following section the unique characteristics of services will be examined in more detail.

2.1.2 The Unique Characteristics of Services

The previous section has already mentioned that current research and practice in services marketing suggest a rationale for a separate treatment of services based on their unique characteristics. Services as distinct from physical goods have four major characteristics that have been consistently identified in the literature (Kotler 1989; Lovelock 1990) which greatly affect the design of marketing programs.

The basic difference between goods and services universally cited by researchers is **intangibility** (Bateson 1989). Intangible means that services cannot be seen, tasted, felt, or smelled before purchase. To reduce uncertainty in the purchase decision, buyers will look for cues or evidence

about a service from which they can make decisions or judgments about its quality. For example, buyers will seek evidence from the office environment, equipment, communication materials or price signals to assess quality prior to purchase. Therefore, in providing a service, a seller has to "manage the evidence" or "tangibilise the intangible", in order to reduce buyer uncertainty.

Second, services are **highly variable or heterogeneous**. They vary because they depend on who provides them, also when and where they are provided. Thus, buyers cannot be certain about a service performance on any given day, even if they use the same service provider on a regular basis. This is because the same service provider may also have different moods which can affect the performance (Lovelock 1991). Therefore, standardising service performance processes and monitoring customer satisfaction through suggestion, complaint resolution, and customer surveys are complementary strategies in reducing the variance of service provision.

Third, while tangible goods are produced, sold, and then consumed, services are sold, then **produced and consumed simultaneously**. Because of this inseparability, buyers often participate in producing the service, either by serving themselves or by co-operating with service personnel in settings such as hair salons, hotels or medical services. For example, before having a hair-cut, a customer needs to explain his/her preferred hair style to the hairdresser. Therefore, the quality of the service provision also depends on the consumer's specification, communication, and participation the production of the service. Thus the quality of most services and their ability to satisfy the consumer, not only depend on how well the service provider performs, but also on how well the consumer performs.

Fourth, because a service is a performance rather than a tangible item that the customer acquires, it **cannot be stored** or inventoried (Lovelock 1991). Equipment, facilities and personnel can be held in

readiness to perform the service, but these do not represent the product capacity. This characteristic of services is not a problem when demand is steady. However, when demand fluctuates, this characteristic can cause problems to the service provider. When demand exceeds capacity, customers are likely to be disappointed, since the service provider has resource constraints to perform the service. Therefore, finding ways to smooth demand levels such as pricing for peak and off-peak situations and developing reservation systems are complementary strategies to match demand and supply.

2.1.3 Consumers' Evaluation Processes

Zeithaml (1981) has suggested a framework for distinguishing consumer evaluation processes between goods and services. The framework isolates differences in evaluation processes between goods and services by using the classification of qualities of goods and services proposed by Nelson (1970) and Darby and Karni (1973). They classified the qualities of goods and services into three categories, as follows:

- **Search Qualities**

Search qualities are the attributes of a product that can be determined prior to purchase. Search qualities include attributes such as colour, price, style, smell, texture, etc.

- **Experience Qualities**

Experience qualities are attributes that can be known or assessed only after they have been purchased and consumed. For example, restaurant meals, vacations, singing performance, which can only be evaluated after customers have purchased and experienced them.

- **Credence Qualities**

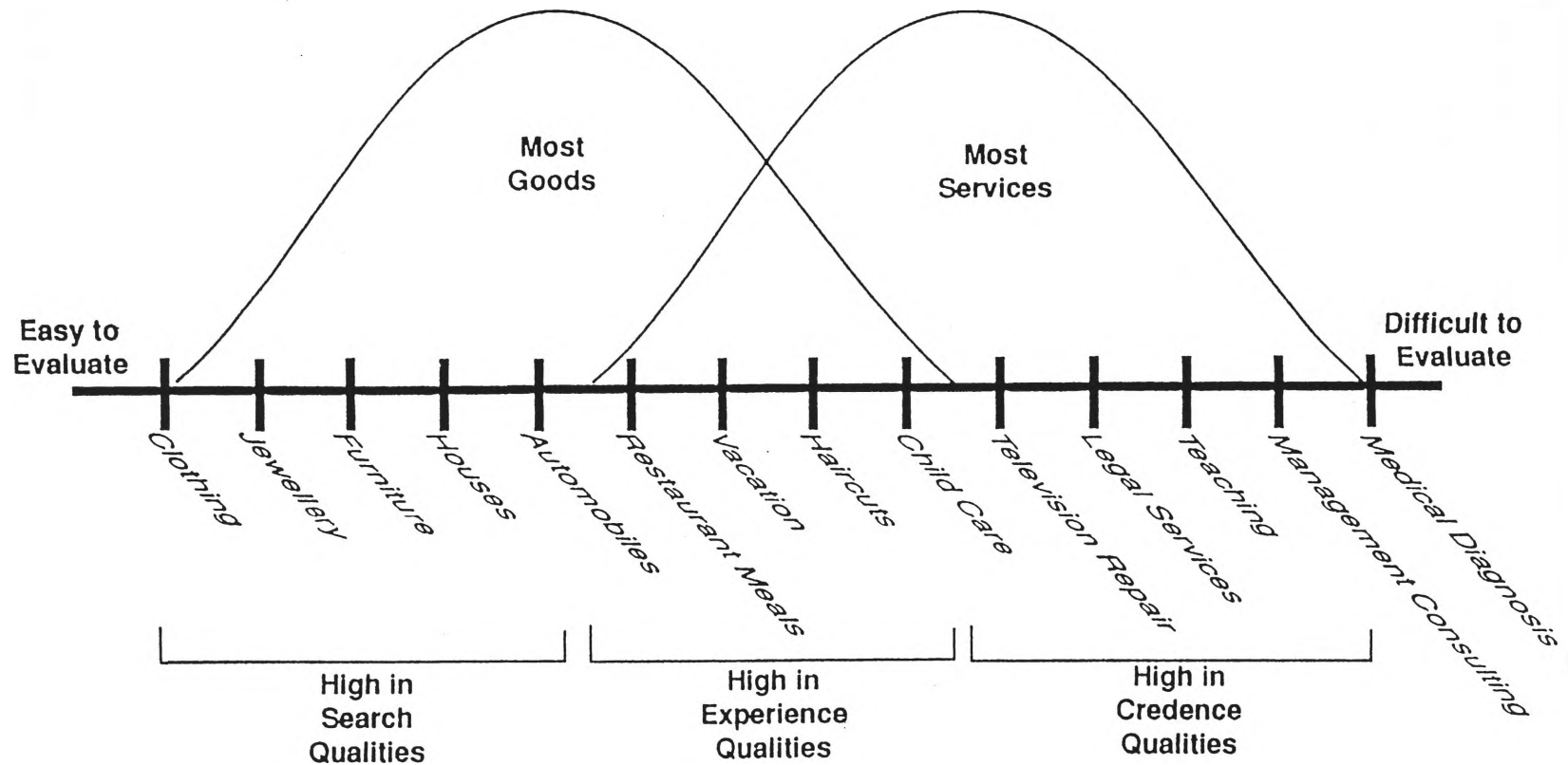
Credence qualities are characteristics which the consumer may find impossible to evaluate even after purchase and consumption, as the consumer may not possess sufficient skill or knowledge to evaluate whether the service is necessary or has been performed properly. Examples include: a professional computer engineer designing and installing a computer network, a surgeon performing a medical procedure, or a complex automobile repair.

Figure 2.2 arrays goods and services high in search, experience, and credence qualities along a continuum of evaluation ranging from "easy to evaluate" to "difficult to evaluate". At the left end of the continuum are goods high in search qualities, i.e., easy to evaluate even before purchase, for example clothing or furniture. In the centre of the continuum are goods and services high in experience qualities. These are more difficult to evaluate because they must be purchased and consumed before an assessment of quality is possible. At the right end of the continuum are services high in credence qualities. These are the most difficult for consumers to evaluate even after purchase and consumption. This is due to fact that the consumers may be unaware of or may lack sufficient technical knowledge or professional expertise to confidently evaluate them.

As most services possess experience and/or credence qualities, consumers often employ different pre-evaluation processes than those they use with goods, where search qualities dominate. Zeithaml (1981) has proposed some specific areas where characteristics of services may lead to divergent evaluation processes.

Figure 2-2

Continuum of Evaluation for Different Product / Service Types



Source: Adapted from Zeithaml 1981 p.185

2.1.4 Service Classification

The service sector covers a diverse range of activities, from a small local dry cleaning service to a complex international banking facility. Because of the heterogeneity of the service sector, a number of classification systems for services have been developed (Mattsson 1994), in order to find appropriate marketing strategies relevant to a particular industry.

Lovelock (1991) states that it is important to develop ways of analysing services that can highlight the characteristics they have in common and thus provide valuable insights for marketing management. He proposed to classify services by answering the following questions:

- What is the nature of the service "act" ?
- What type of relationship does the service organisation have with its customers ?
- How much room is there for customisation and judgment on the part of the service provider ?
- What is the nature of demand for the service ?
- How is the service delivered ?
- What are the attributes of the service product ?

Three key dimensions are considered relevant to this study because they impact upon consumers' evaluation processes and seem highly relevant to the study of relationship commitment.

The first dimension that assists in conceptually mapping services is the extent to which customisation and judgment are possible. Services are often produced as they are consumed, and the customer is often involved in the production process, therefore there is scope to customise the service to meet the needs of individual customers. The second dimension is the extent to which personal contact with the customer is used in meeting individual

customer needs. For example, a service involving a high degree of contact and high degree of customisation would be architectural design, while a service involving high degree of contact but low degree of customisation is education, particularly with large class sizes. Retail banking and hotel services can be categorised into low contact but highly customised services, while, fast food restaurants and movie theatre can be classified into low contact and low customisation services. A travel agency service is high contact and can vary in the degree of customisation depending on the type of services that customers buy (standard package holiday or customised travel arrangement). Where the service allows customisation to meet customers' different needs, there is evidence that customers tend to develop a relationship with the service provider (Palmer, 1994). Moreover, repeated contacts provide the occasions in which the provider and customer are able to develop a relationship. Therefore, both high degree of contact and customisation are ideal contexts to explore and developing a model of relationship commitment.

The third dimension is the degree of switching costs. The literature recognises two types of switching costs, i.e., monetary (economic) and psychological (Ping 1993). In some services such as personal superannuation, insurance, some forms of banking, or college enrolment, customers have to enter a formal relationship with the service provider. A formal relationship often imposes high monetary switching barriers; for example, cancellation of personal superannuation in the first year will incur high financial penalties. However, in other services such as a restaurant or movie theatre, customers do not need to enter into a formal relationship with the service provider. The formal contractual relationship resembles a "marriage" while the latter is more of a "friendship" arrangement. In the "friendship" arrangement, switching to a new service provider will not require

a customer to incur monetary switching costs. Travel agency services can be categorised into the latter category, in which high monetary switching barriers do not exist. To switch travel agents, a customer simply walks into an alternative agency and commences doing business. Therefore, customers have flexibility to leave the current service provider whenever they are not satisfied with the current relationship. In this situation, a successful and mutually beneficial “relationship” (as defined in this thesis) is more likely to be built. In other words customers are free to enter into a relationship without the coercion of monetary switching penalties. Therefore, studying such services may allow key determinants of the relationship to emerge.

2.2 A Review of The Literature on Relationship Marketing

2.2.1 Defining Relationship Marketing

Research in relationship marketing originated from the field of industrial or business-to-business marketing. Starting in the 1960's the Uppsala Group investigated what they called "the interaction approach" to industrial markets. Then these studies evolved to be Industrial Marketing and Purchasing (IMP) studies. IMP used the term "interaction approach" because:

Our approach to describing the actual purchase transaction is thus as an interaction between two active counterparts rather than merely a relationship between one active component and a passive market (Hakansson and Ostberg 1975).

They categorised buyers' and suppliers' interactions, then the social exchanges and mutual adaptations which were appropriate to each category were considered. Although Hakansson and Ostberg (1975) do not use the term "relationship marketing", their third category of buyers' and suppliers' interactions possesses many of the characteristics which it was suggested are central to relationship marketing.

The concept was then quickly embraced by both practitioners and academics, particularly in industrial marketing. Industrial marketing managers advocated the strategic relevance of building long-lasting relationships between suppliers and buyers, consistent with their strategic interest in "Just-in-Time" techniques and the search for reliable suppliers (Ford 1980). Several academics have regarded relationship marketing as appropriate only with "customers who have long time horizons and high switching costs" (Kotler 1991, pp. 680), which is more typical of business customers.

In the service sector, relationship marketing gained recognition when Berry (1983) pointed out the importance of customer retention in services marketing. Then it quickly gained recognition, especially in banking and more

precisely in commercial banking (Moriarty, Kimball and Cay (1983). Furthermore, many commercial bankers emphasised that relationship banking was an efficient way of coping with a turbulent environment, although the implementation issue implied a major cultural change (Perrien, Filliatraut, and Richard 1993). Additionally, Crosby, Evans and Cowles (1990) state that relationship marketing is an adequate marketing strategy for services outside the banking industry.

Today, relationship marketing has been gaining increasing interest in many organisations involved in both business (industrial) and consumer markets. It is evidenced by a large number of publications devoted to the concept. However, it is remarkable that although numerous authors now use the term "relationship marketing", only a few provide a meaningful definition of the term (Blois 1995). As Gummesson also commented:

The perception of relationship marketing, however, varies between authors (p. 23).

Furthermore, because of the obvious complexity of the term and the multi-dimensional nature of relationships, many marketers have reduced the term "relationship marketing" into more simplistic terms (Barnes 1995).

In services marketing, Berry (1983, p.25) states that relationship marketing is attracting, maintaining and enhancing customer relationships. Shani and Chalasani (1992, p.55) defined relationship marketing as an integrated effort to identify, maintain, and build up networks with consumers, and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualised and value added contacts over a long period of time. In a similar way, Evans and Laskin (1994, p.440) identified relationship marketing as the process whereby a firm builds long term alliances with both prospective and current customers so that both seller

and buyer work toward a common set of specified goals. However, as Morgan and Hunt (1994) commented, all of the definitions of relationship marketing did not recognise that many instances of relationship marketing do not have a “customer” as one of the exchange participants. They then went on to classify relational exchanges between a focal firm and its partner into four forms (See Figure 2.3):

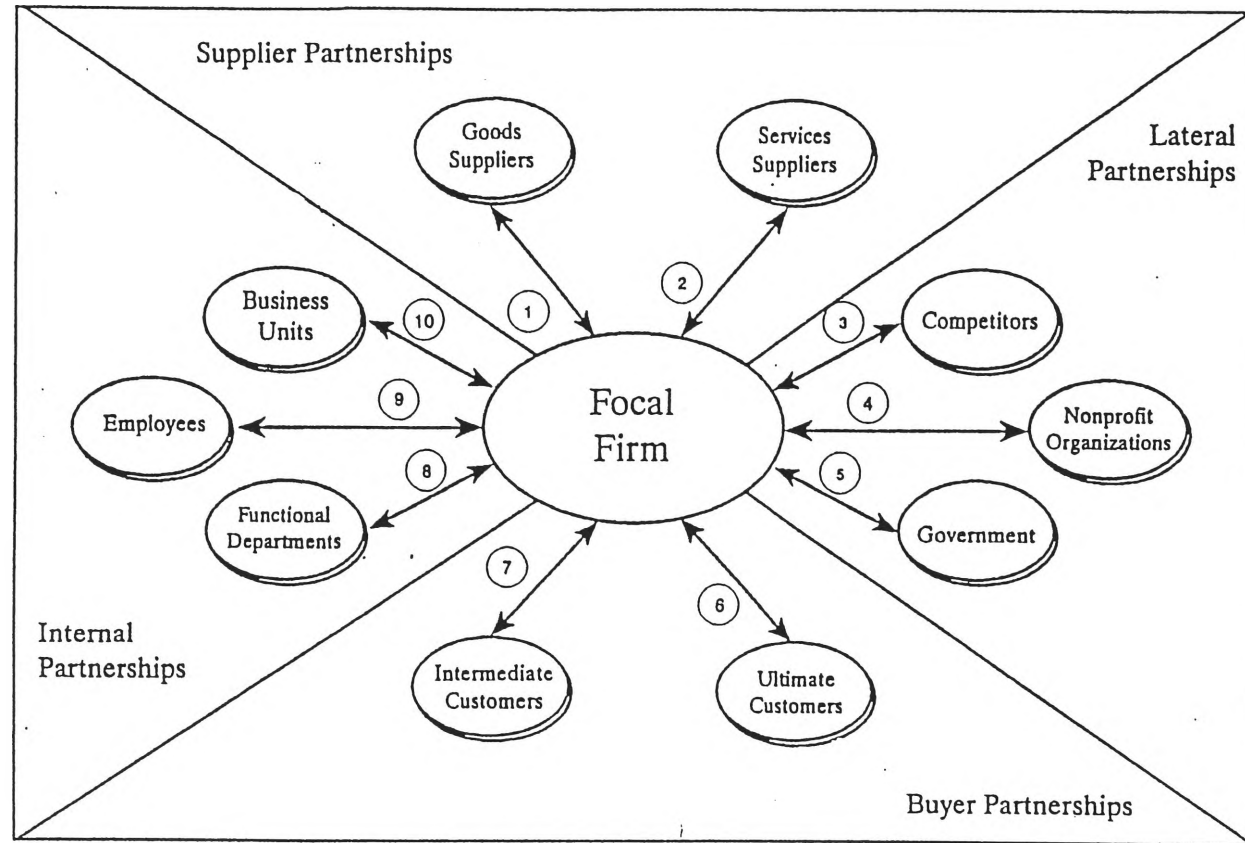
1. Supplier partnerships: relational exchanges between the focal firm and its goods suppliers and/or services suppliers.
2. Lateral partnerships: relational exchanges between the focal firm and its competitors, non-profit organisations and/or government.
3. Buyer partnerships: relational exchanges between the focal firm and its intermediate customers and/or ultimate customers.
4. Internal partnerships: relational exchanges between the focal firm and its business units, employees and/or functional departments.

Hence they proposed a definition which accommodates all forms of relational exchanges:

Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges (Morgan and Hunt 1994, p. 22).

Even this definition has been criticised, as it sets out the aim of relationship marketing rather than the activities which might be used in its implementation (Blois 1995).

Figure 2.3
The Relational Exchanges in Relationship Marketing



Source : Morgan and Hunt (1994)

Despite the differences in defining the concept of relationship marketing, all of them point out that relationship marketing emphasises relational exchanges, which can be traced through previous agreements/ transactions, longer in duration, reflecting an on going process for the mutual benefit of both parties.

2.2.2 Relationship Marketing Characteristics

The previous section has examined the existence of various definitions of relationship marketing. Despite the limited available body of empirical and conceptual research, this section will none the less examine several essential characteristics of relationship marketing.

- **Requiring a Long Term Commitment**

The basic objective of a relationship strategy is to achieve mutual long-term benefits for both parties which are bound by the relationship. Such objectives may only take place in the long run, where willingness to make short-term sacrifices exists. A confidence that the relationship is stable and will last long enough for the parties to realise the long-term benefits must also present in the relationship (Dywer, Schurr and Oh 1987; Ford 1980).

- **Mutual Benefit**

A successful relationship is only achievable where both parties recognise the relationship as a situation that is mutually beneficial (Czepiel 1990, Shani and Chalasani 1992). Consequently, both parties will put effort into maintaining the relationship, as goal interdependence exists between them.

- **Mutual Recognition**

Czepiel (1990) described a marketplace-based relationship as “the mutual recognition of some special status between exchange partners”. Therefore, for a relationship to exist, it must be mutually perceived to exist, that is, acknowledged to exist by both partners. A relationship does not exist merely because one partner in an interaction perceives that one exists. In other words, it is not sufficient for a marketer to decide that a relationship is to be established, if the customer does not have the same perception.

2.2.3 The Importance of Relationship Marketing in Service Industries

As mentioned in the previous section, relationship marketing is considered to be an important requirement for effective services marketing. Czepiel (1990) commented:

The essentially social nature of service encounters, a short run phenomenon, provides the occasions in which buyer and seller negotiate the terms of their exchange relationship, a long-run phenomenon (p. 13).

Further, he noted that service encounters have either short-run or long-run consequences. In the short run, service encounters are the social occasion of economic exchange. For the service providers an encounter is the point which determines the business' success, and it depends on the functional and social performance of the service provider's interactions with the customer. For customers, on the other hand, a service encounter is a key element in the economic exchange in which functional and psychosocial benefits are produced and delivered by the service provider. In the long run, service encounters provide the social occasions in which customers and

service providers can negotiate and nurture the transformation of their accumulated encounters into an exchange relationship. Each single transaction is viewed with respect not only to the immediate cost or benefit but also to the past history of the relationship and the possible future as well (Dywer, Schuur, and Oh 1987).

The relationship marketing concept becomes relevant in the service industries for several reasons:

First, the service literature has recognised the difficulty in judging quality in service industries (Berry 1980; Shostack 1977; Parasuraman, Zeithaml and Berry 1985; Zeithaml 1981). The intangibility of services makes it difficult to examine the service for the physical evidence of suitability, or to sample the service in advance of purchase. Dealing with a service provider with whom one has had successful prior purchases reassures the buyer that he or she will at least get the same level of service. On the other hand, the service provider's expectation of future purchases by the buyer, provides the incentive to maintain quality (Moriarty et al. 1983).

Second, many services by their nature require a membership relationship (Lovelock 1983). Such membership may require an actual physical relationship (e.g., cable television, computer network service) or a contractual relationship (e.g., bank services, insurance). Both relationships require customers to select service providers for future periods. Regardless of the interests of either customer or service provider, the situation requires both parties to be in a relationship. Several services, however, do not require a contractual or formal membership, but, they may consistently be patronised by their customers. This situation is especially typical of mass-market retail outlets, fast food restaurants, hairdressers, and broadcasting services for example.

Third, some services involve a multi-stage production process and it would not be sensible for a customer to switch service producers during production, thereby requiring the new supplier to have to establish what had already been carried out during previous stages. For instance, a surgeon who keeps records will be able to perform surgery with the benefit of the knowledge gained during the previous examinations. If the patient then changes from the former surgeon to a new one, the new surgeon may have to begin with fresh diagnostic checks. Furthermore, for certain services, service providers may be required to evaluate or monitor the results of a service after it has been delivered. Therefore, consumers for multi-stage services need to engage in a relationship with the service providers. A technician who has installed a new heating unit may need to check its operation after a period of instalment.

Fourth, where services are complex in nature, or allow customisation to meet customers' differing needs (e.g., financial planner, hairdresser) customers are more likely to seek a relationship with the service providers (Berry 1983; Lovelock 1983). Service customisation however needs the customer to "open up" to the service provider concerning his/her needs or problems. For example, a cleaner's success in removing a stain depends on the customer's knowledge of its cause; a tax accountant's satisfactory performance relies on the information received from the client. On the other side, the service provider also needs to be "close to the customer" in order to understand the customer's real needs. Such a situation does not occur naturally between buyer and seller, as stated by Czepiel 1990:

Such an opening up is not a natural occurrence between buyer and seller, however, for fear that the knowledge gained could be used to determine the true economic value of the exchange to the client and form the basis for the subsequent price negotiation
(p. 16)

In such situations trust gives rise to such openness (Dwyer, Schuur and Oh 1987; Moriarty 1983). Furthermore, trust usually needs a certain length of time to be developed (Holmes, Rempel and Zanna 1985). Additionally, becoming a "regular customer" allows the seller to gain knowledge of the consumer's tastes and preferences and encourages consumer satisfaction. Thus the recognition of the need for repeated patronage for the development of trust and to obtain optimum satisfaction from the seller will encourage consumers to be loyal to a service provider.

Fifth, services have also been characterised as possessing high experience and credence properties, especially professional ones (Gummesson 1981). Therefore they can only be evaluated after purchase has been made, and often evaluation will not be possible even after consumption because consumers are not sophisticated about the service. As risk tends to increase because of these services' properties, a customer will have to trust in the service provider's competence and feel secure in the belief that the service provider will operate in the customer's best interests. Thus, building a relationship is one strategy by which customers can seek to reduce their level of perceived risk (Mitchell and Greated 1993).

Sixth, many services require the active participation of the consumer in the production process. Repeated encounters provide the occasions in which the provider and customer are able to develop a more complex relationship. As a service encounter is a social encounter, it is natural that repeated encounters may develop personal as well as the professional relationship. Furthermore, the interaction between client and service provider is "face-to-face" or "human-to-human", therefore the impact of the interaction is strong because personal interactions are always more engaging and effective than impersonal ones (Czepiel and Gilmore 1987). Moreover, for some service businesses, for example hairdresser or personal banking, the

personal relationships established can be the key to the businesses' long-run success.

Finally, it has also been suggested that a relationship will be more likely to be formed when the environment is dynamic and uncertain in ways that affect future needs (demand) and offerings (supply) (Zeithaml 1981).

2.2.4 Research in Relationship Marketing

The exchange relationship between buyer and seller has been recognised as a primary focus of marketing research (Hunt 1983). Many issues such as how, why, and when long-term relationships are formed have been raised amongst researchers. Based on the previous study, research on relationship marketing can be classified into two streams, as follows:

- **Research Concerned with the Process or the Development of the Relationship**

Research in this area has focussed on developing a theoretical framework for the formation and dissolution of long-term buyer-seller relationships. Two seminal studies in this area have been done by Ford (1980) and Dwyer, Schuur and Oh (1987).

Ford viewed relationship marketing as an interactive process. In industrial marketing, he suggests that the complexity of buyer-seller relations and the importance of mutual adaptation, means that the analysis of relationships must be separate from the overall relationship itself and the individual episodes which comprise it. Ford identifies five episodes in the process of relationship building. In **stage I (pre-relationship stage)**, buyers search for new suppliers; **stage II (early stage)** is the negotiation stage between suppliers and buyers; in **stage III (development stage)**, suppliers deliver purchases on continuous basis; **stage IV (long-term**

stage) is the result of large-scale deliveries of continuously purchased products resulting in recognition by buyers and sellers of their mutual importance; **stage V (final stage)** is an institutionalisation in the long run of the business transactions between partners. Ford analyses each stage in the process on the following criteria: (1) the experience of the two firms; (2) the reduction in their uncertainty and the distance between them; (3) the growth of both actual and perceived commitment; (4) the formal and informal adaptation to each other; (5) the investments and savings involved in the relationship.

Dwyer, Schuur, and Oh (1987) viewed relationship marketing as a marriage between buyer and seller. As they stated, benefits and costs derived from a marriage (companionship, personal growth, shared household maintenance, expanded responsibility, demands, care, and nurturance) are analogous to benefits and costs entailed by buyer-seller relation. Furthermore, they proposed a five phase model whose foundations are grounded in exchange theory. In **phase I (awareness)**, one party recognises that a second party is a feasible exchange partner; **phase II (exploration)** is a trial stage with minimal investment and interdependence so that termination is easy; in **phase III (expansion)**, the interdependence is increasing based on mutual satisfaction; **phase IV (commitment)** is an institutionalisation of the relationship and **phase V (dissolution)** is a process resulting in a disengagement. By identifying the sub-processes and criteria relevant at each stage, Dwyer, Schurr, and Oh's model is a major contribution for the development of relationship marketing theory.

- **Research Concerning the Antecedents (Determinants) of Relationship Commitment**

An expected outcome of relationship marketing is a customer commitment to the service provider (Evans and Laskin 1994; Ganesan 1994).

Therefore, relationship commitment has been viewed as a critical variable and outcome of relational exchanges (Anderson and Weitz 1989; Morgan and Hunt 1994). Previous research into the construct has recognised several conditions or antecedents under which firms would prefer to establish a long-term relationship rather than conduct repeated transactions over time. Researchers have also empirically investigated factors that are important in a long-term relationship (e.g., Anderson and Weitz 1989; Anderson and Weitz 1992; Anderson and Narus 1990; Biong 1994; Crosby, Evans and Cowles; Ganesan 1994; Evans and Laskin 1994; Morgan and Hunt 1994). A summary of the key empirical studies on relationship marketing is presented in Table 2.1.

An inspection of Table 2.1 reveals some interesting observations about the empirical research to date.

First, there is little consensus as to the exact nature of the *dependent or criterion variables* in such studies. They can be classified into two categories i.e., single construct and higher order of constructs comprised of several dimensions. Single constructs which have been used vary from relationship commitment and relationship satisfaction to relationship continuation. Relationship commitment and relationship continuation are concerned with the buyer's likelihood of seeking future interaction with the current seller, while relationship satisfaction is concerned with buyer satisfaction/dissatisfaction with the current relationship. Several authors have suggested that relational exchanges will result in several outcomes. Therefore, they used higher order constructs to accomodate the outcomes. For example, Morgan and Hunt (1994) used the term "relationship outcome" which is comprised of acquiescence, propensity to leave, cooperation, functional conflict, and uncertainty.

Table 2.1
Summary of Empirical Research in Relational Exchange

Author	Anderson & Weitz (1989)	Anderson & Weitz (1992)
Independent Variables	Communication Reputation Trust Age of relationship Stakes Power imbalance Support Goal congruence Perceived competence	Communication Reputation * Conflict history Investment Exclusivity given to distributor Extent of manufacturers' direct selling
Moderator Variables	None	None
Dependent Variable	Relationship Continuation	Relationship Commitment
Unit of Analysis	Manufacturer & distributor	Manufacturer & distributor
Theory or Framework used	Theory on behavioural research on social exchange, bargaining and negotiation	Theory on intra organisational and interpersonal relationship theory
Note		Dyad * only significant on distributor side

Anderson & Narus (1990)	Biong (1994)
Communication	Communication
Trust	Similarity
Cooperation	Sales person competence
Outcomes comparison	Control
Relative dependence	Sales pressure
Fuctionality of conflict *	Social exchange
Influence over/by partner	

None

None

Relationship Satisfaction

Loyalty
Relationship Satisfaction

Manufacturer & distributor

Sport Equipment sales
persons and retailers

Theory on social exchange
and interorganisational
exchange

Result shows 2 different
models (from distributor and
manufacturer perspectives)

* Dependent Variable in
distributor perspective

Table 2.1 (continued)
Summary of Empirical Research In Relational Exchange

Author	Crosby, Evans & Cowles (1990)	Evans & Laskin (1994)
Independent Variables	Trust Similarity Sales person expertise Relational selling behaviour Satisfaction (sales person) *	Relationship Inputs : Understanding customer expectations Building service partnership Total Quality Management Empowering employee
Moderator Variables	None	None
Dependent Variable	Relationship Quality : Sales effectiveness Anticipation future interaction	Relationship Outputs : Customer satisfaction Customer loyalty Increased profit Increased product quality Relationship Assessment : Feedback and Integration
Unit of Analysis	Insurance sales persons and consumers	Manufacturer and users (Automated immunochemistry analysers)
Theory or Framework used		Input and Output Process
Note	* only significant to anticipation of future interaction	

Ganesan (1994)	Heide & John (1990)
Trust	Specific Investment
Reputation	Volume unpredictability *
Satisfaction	Technological unpredictability
Outcome comparison	
Relationship investment	Performance ambiguity

None

None

Relationship Commitment

Relationship Outcome:

Expectation of continuity

Verification efforts

Joint action

Vendor and buyer (department store)

Manufacturer and industrial firms (manufacture machinery, electrical and electronic machinery, transportation equipment)

Transaction Cost Analysis

* not significant to expectation of continuity

Table 2.1 (continued)
Summary of Empirical Research in

Author	Morgan & Hunt (1994)
Independent Variables	Communication Trust Relationship commitment Switching costs Shared values Opportunistic behaviour
Moderator Variables	None
Dependent Variable	Relationship Outcome (acquiescence, propensity to leave, cooperation, functional conflict, uncertainty)
Unit of Analysis	Manufacturers and independent tyre retailers
Theory or Framework used	Theory on social exchange, intraorganisational and marriage relationship

Note

Relational Exchange

Moorman, Zaltman & Deshpande (1992)	Ping (1993)
Trust	Overall satisfaction
Quality of interaction	Structural Constraints
Research involvement	Investment
Relationship commitment	Switching costs
	Alternative attractiveness
Individual differences and organisational differences	None
The use of service provider service (market research)	Response Intentions : Loyalty Exit Voice Opportunism Neglect
Knowledge users and providers : Marketing researchers Marketing managers	Suppliers and hardware retailers
Theory on interpersonal relationship	Economics and psychology literature.
Dyad Research setting : intra and interorganisational relationship	Research setting : dissolution of relationship

On the other hand, Ping (1993) used the term "response intention" which consists of loyalty, exit, voice, opportunism and neglect.

Second, as summarised in Table 2.1, existing studies have viewed relationship outcomes as a function of *wide array of independent or explanatory variables*. Anderson and Weitz (1989) found that trust and two-way communication were importance variables in ensuring relationship continuity. Anderson and Weitz (1992) suggested that the tendency to maintain a relationship between manufacturers and distributors was a function of investment in relationship-specific assets, each party's perception of the other party's commitment and other factors such as communication level, reputation and relationship history. Anderson and Narus (1990) focussed on the role of trust, cooperation and functional conflict in determining sustained satisfaction in working partnerships between manufacturers and distributors. Ganesan (1994) found that trust and dependence play key roles in determining the long-term orientation of firms in a relationship, and that both similarities and differences exist with respect to the effects of several variables on long term orientation, dependence, and trust. Morgan and Hunt (1994) highlighted the role of commitment and trust in a long-term relationship between manufacturer and independent automobile tyre retailers.

The role of the salesperson in a long-term relationship was explored by Biong (1994) and Crosby, Evans and Cowles (1990). Salesperson characteristics such as similarity, competence/expertise, relational selling behaviour and sales pressure, emerged as the antecedents of relationship outcomes. Finally, an input-output model of relationship marketing was proposed by Evans and Laskin (1994). Inputs include understanding customer expectations, building service partnerships, empowering employees and total quality management processes. Outputs

encompass customer satisfaction, customer loyalty, increase in product quality and profitability.

Third, different underlying *theoretical frameworks* have been used to study the shift toward closeness in buyers' and sellers' relationships. For example, Anderson and Weitz (1989) developed a model of relationship continuity between manufacturers and members of conventional channels from the literature on social exchange, bargaining and negotiation. Anderson and Narus (1990), Anderson and Weitz (1992) used social exchange theory to develop their model, while Morgan and Hunt (1994) used theory from organisational and social exchanges to conceptualise their model. Finally, Heide and John (1990) used the transaction cost analysis framework to explore the antecedents of manufacturer-supplier relationships.

Fourth, research concerning the antecedents of relationship commitment, either conceptual or empirical, have been mostly conducted in a *business-to-business marketing context*. Research in consumer marketing are sparse in comparison (see Crosby, Evans and Cowles (1990) for a recent exception).

Fifth, little effort has been undertaken in *examining moderator relationships* in research to date, except a study of Moorman, Zaltman, and Deshpande (1992) which investigated the effect of individual and organisational differences on the long-term interaction between marketing research users and providers.

Finally, an examination of Table 2.1 reveals a common theme emerge from the various literatures on relational exchanges. *First*, trust, communication and competence seem to cut across most studies as independent or explanatory variables of long-term relationship. *Second*, relationship commitment and relationship continuation emerged as

dependent variable across most studies. Therefore, in an extensive literature review, Morgan and Hunt (1994) have theorised and empirically tested that trust and relationship commitment are central to all relational exchanges.

2.3 The Gaps in the Relationship Marketing Literature

As previously mentioned, little research has been conducted specifically examining either the antecedents of relationship commitment or relationship development in either consumer or services contexts, even though the nature of services has been recognised as conducive to the establishment of positive relationships. The literature review in the previous section has shown that research investigating antecedents in relationship marketing has been mostly in business-to-business (industrial) settings.

However, literature has acknowledged that industrial and consumer marketing are different. The distinction is evident in academic course offerings, professional journals, marketing textbooks, and in professional organisations and meetings (Fern and Brown 1984), although some scholars have argued that the industrial market is similar to the consumer market (Sheth 1974, Fern and Brown 1984). However industrial market differ from consumer markets in a number of ways. The main differences are in market structure and demand, the complex nature of the buying unit, the types of decisions and the decision process (Kotler, Chandler, Brown and Adam 1994). Some of these characteristics lead to conducive situations for the establishment of a long-term relationship.

First, the industrial marketer normally deals with far fewer but, larger buyers than the consumer marketer. Moreover, even though the number of the buyers is few, they normally account for most of the purchasing. Therefore, the seller in the industrial market often depends on getting orders from one or more of only a few large buyers. Industrial marketers are often involved with

the buyer centre during the buying process, including helping to define problems, finding solutions, supporting the after-sales operation; and customising their offerings to the individual buyer. On the other hand, in the consumer market, the seller usually deals with large number of buyers with small purchasing power. Power imbalance is more likely to exist in the consumer market, therefore it is difficult for a single consumer to emerge as an active party to actualise his/her own needs. In addition, purchasing from a single consumer only represents a small portion of the seller's purchasing. Consequently, the power balance between buyers and sellers in the industrial market is more likely to be equal and they are more dependent on each other. As a conclusion, power balance and the magnitude of purchasing power lead both buyer and seller to realise the importance of the relationship.

Second, industrial buyers usually face more complex buying decisions than consumer buyers, because purchasing often involves large resources including finance, technical considerations, and interactions among people in the buyer's organisation. Thus the industrial buying process tends to be more formalised than that of consumer markets. It is not unusual that industrial buyers have to formalise a relationship through a contract for a certain length of time. Moreover, because the purchasing involves large resources, it often creates barriers to exit. Thus it is not surprising that buyers and sellers in industrial markets engage in long-term relationships regardless of the interest of buyers. If during the contract time the buyer is not satisfied with the situation, the buyers may be "locked in" to a relationship against their will.

Having examined the differences between industrial and consumer markets, it is understandable that relationship marketing should be quickly embraced by both academics and practitioners in industrial marketing.

How therefore, can consumer services be viewed regarding their potential for the development of long-term relationships ? As discussed in the previous section, the unique characteristics of services have naturally created a situation where customers tend to remain with a service provider. Several authors have also pointed out why consumers choose to remain in a long-term relationship with the service provider. Goodwin and Verhage (1989) state that by entering a long-term relationship, customers can enjoy a friendly comfortable relationship with the provider, and avoid the cost of learning new procedures or supplying new information to the provider. Further, where the service allows significant adaptation or customisation to meet customers' different needs, there is evidence that customers are more likely to seek a relationship with the service provider. In this way a travel agent booking accommodation for example, can select hotels on the basis of preferences expressed during previous transactions. By offering a more personalised service, the travel agent is adding value to the relationship. Furthermore, the client can also avoid significant transaction costs associated with multiple service ordering (Williamson 1975), and increasing the client's transaction costs of transferring to another travel agent.

Moreover, consumer services often involve direct interactions between buyer and service provider. The repeated interactions will potentially create provision for relationship establishment. Furthermore, in a low switching cost buying situation, customers have flexibility to leave the current service provider whenever they are not satisfied with the current relationship. In other words, they do not need to retain an unsatisfactory relationship when they can find a better alternative. Thus, there is more to a successful relationship with customers than merely trying to retain them, or locking them in with "training" contracts or other barriers to exit (Barnes 1995).

However, only a few empirical studies in relationship marketing in the services industry have been undertaken. These studies have mostly been in business-to-business settings, especially in the finance and insurance industries, and are explorative in nature (Perrien, Paradies, and Banting 1995; Perrien and Ricard 1995). However, as Morgan and Hunt (1994) point out, the model of relationship marketing may vary as the partner with whom the focal firm has a relationship also varies. Thus the model of relationship marketing in the business-to-business setting may be different from that in the consumer marketing setting.

One of significant published studies in a consumer services context was Crosby, Evans, and Cowles (1990). They modelled the long-term relationship between buyer and seller in consumer services, specifically in the life-insurance industry. However, as they characterised, buyers in life insurance industry face high monetary switching costs, future uncertainty and do not have the knowledge to evaluate the outcome of the main product (life insurance). Thus life-insurance customers can be positioned as the vulnerable party in the relationship. Again, this does not meet positive long-term relationship requirements which are characterised as being mutually recognised and beneficial.

From the preceding discussion in this chapter, it is evident that an examination of the relationship marketing model in the consumer services context is necessary. The focus of this study is travel agency services which can be characterised as one form of consumer services, which involves direct selling and low monetary switching costs, and can therefore be an ideal research context to study the various antecedents of relationship commitment.

Chapter 3

Conceptual Model

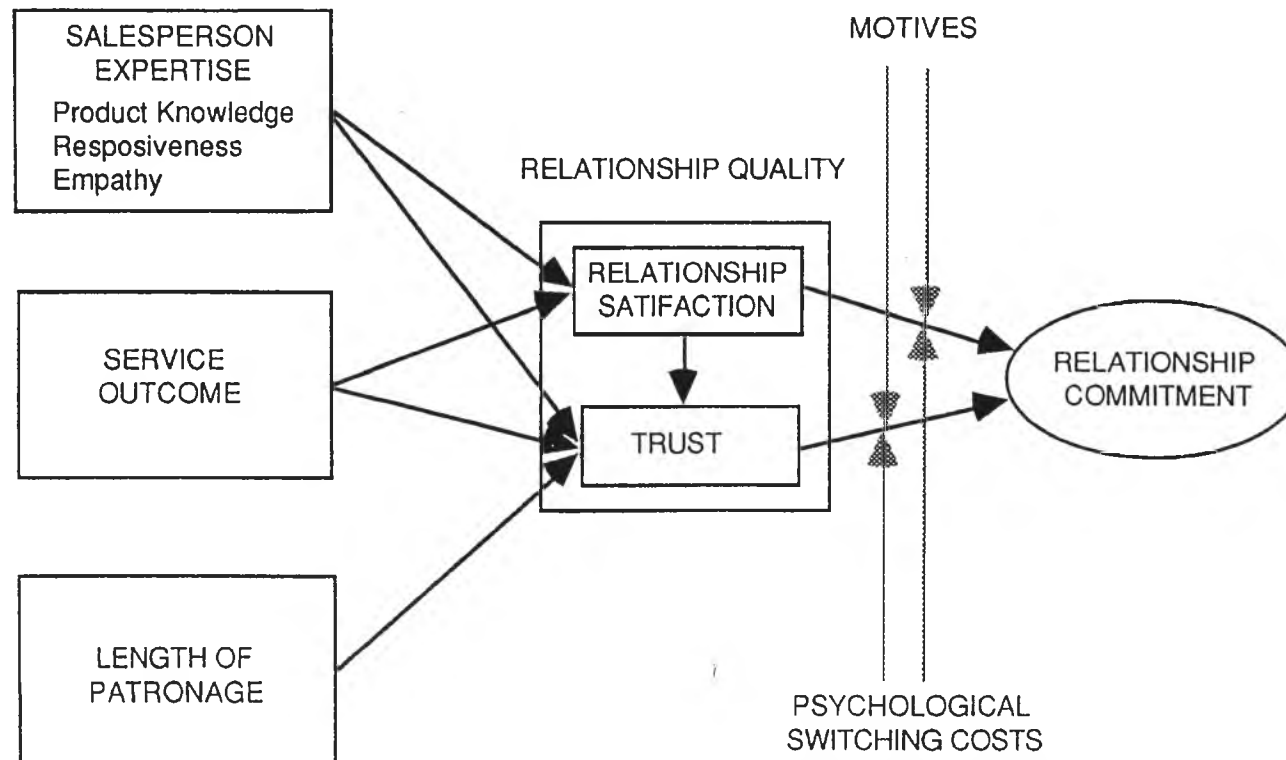
The previous chapter discussed the existing literature on relational exchanges. Despite inconsistencies in the literature, various antecedents and the outcomes of relational exchanges have emerged. This chapter draws upon the review and discussion in Chapter 2 and presents a conceptual model which is then empirically tested. Discussion of the major constructs in the study and several research hypotheses are also outlined in this chapter.

3.1 Conceptual Model

The model portrayed in Figure 3.1 (a copy of which is also included in the inside back cover of this thesis) provides an overview of the key constructs which the literature suggests may explain the variance in customer relationship commitment for a consumer service with low monetary switching costs context - i.e., travel agency services. This model seeks to identify and relate salesperson expertise (product and market knowledge, responsiveness and empathy), perceived performance (service outcome), and length of patronage to the outcome of the exchange (relationship satisfaction, trust, and relationship commitment). Furthermore, the conceptual model (Figure 3.1) also indicates that relationship motives and psychological switching costs are examined as moderators of the relationship.

The key dependent variable and independent variables will be discussed in the following section and from these, hypotheses will be developed.

Figure 3.1
Conceptual Model of Relationship Commitment for Travel Agency Services



3.2 Dependent Variable: Relationship Commitment

As described in the previous chapter, relationship commitment has been recognised as the expected favourable outcome in a long-term relationship. Furthermore, commitment has long been central in the social exchange literature (Thibaut and Kelley 1959). Cook and Emerson (1978) characterised commitment as a variable that distinguished social exchange from economic exchange. Morgan and Hunt (1994) also found commitment as a key mediating variable in a long-term relationship. In the services relationship marketing, Berry and Parasuraman (1991, p.139) state that "relationships are built on the foundation of mutual commitment". Hence, the key dependent variable in this study is relationship commitment.

We define relationship commitment similarly to Morgan and Hunt (1994, p. 23), "relationship commitment is an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it". This definition is also consistent with Moorman et al. (1992). Thus this definition takes the view that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it (Morgan and Hunt 1994).

3.3 Independent Variables

Independent or explanatory variables in this study encompass salesperson (travel consultant) expertise (product knowledge, responsiveness, and empathy), perceived performance (service outcome), length of patronage, and relationship quality (trust and relationship satisfaction). Each independent variable will be discussed in turn.

3.3.1 Salesperson (Travel Consultant) Expertise

Johnson (1981) suggests that a selling mechanism which involves intangible products and a high degree of interpersonal salesperson-client interactions often requires the salesperson to explain and describe the benefits and features of the products. Travel experience can be categorised as an intangible and experiential product. Moreover, travellers often have no experience about the destinations in which case the travel consultant's advice on accommodation, transportation, attractions, and physical conditions such as climate in the destination, becomes crucial. In addition, the travel agency selling situation is often customised. Customers may choose various kinds of accommodation, transportation, and attractions according to their preferences. Thus, a travel consultant is required not only to have a good knowledge about the product, but also to exercise good communication skills to gain an understanding of customer needs, and create a close and friendly situation to make the customers feel comfortable to discuss their needs openly.

Moreover, Parasuraman, Zeithaml, and Berry (1988) have suggested, responsiveness (willingness to help customers and to provide prompt service) and empathy (the provision of caring and individualised attention to customers) are important variables in determining service quality. Thus, in a high degree interpersonal selling situation such as travel agency services, the role of responsiveness and empathy would seem to be critical.

Furthermore, as many studies have shown, customers choose to remain with the same contact person because they appreciate the friendship which has been built over time (Goodwin 1989; Mackay 1993; Marcelo 1994; Sigurdso 1992). Customers feel that the transaction is a "personal" one rather than merely a "commercial" one. Therefore, the travel consultant is expected not only to meet customers' travel needs, but also to create a

friendly, personal and comfortable rapport in doing so. That is customers evaluate the travel agency on both the "what" (travel product) and the "how" (delivery processes).

Accordingly, the travel consultant's expertise has at least three important dimensions: a) product knowledge, b) responsiveness, c) empathy, which specifically relate to "how" the service is delivered.

3.3.2 Perceived Performance (Service Outcome)

As Gronroos (1990) has conceptualised, service quality can be divided into technical quality (i.e., "what" was delivered) and functional quality (i.e., "how" the service was delivered). Therefore, *a priori*, perceived performance (service outcome) was conceptualised as a separate construct from salesperson expertise. Moreover, Gronroos (1990) views the customer-service provider relationship as an interaction which involves giving and fulfilment of promises. Developing or enhancing a relationship means that a new set of promises are given with the fulfilment of earlier promises as a prerequisite. Empirical evidence from Berry and Parasuraman (1991) consistently shows that reliability (the ability to perform the *promised* service dependably and accurately) is the most important dimension when customers evaluate a service. Therefore, fulfilment of promises in the service encounter is critical. However, in travel agency services, the outcome of the services depends not only on the travel consultant's arrangement, but also on other service providers' (such as hotels, flights, and attractions) ability to perform the promised service. Therefore, the accuracy of the travel consultant's arrangements and suggestions (without withholding vital information) is critical to customers. Customers like to know that they can rely on the travel consultant's exact explanation or description about a destination, hotel service, or other travel arrangements. Hence, service evaluation for travel

agency services involves not only travel consultant's performance in giving travel advice, but also the actual product (travel experience) purchased on the basis of the travel consultant recommendation.

Hence, in this study, perceived performance (service outcome) is defined as the ability of the travel consultant to deliver a travel experience and accompanying services dependably and accurately.

3.3.3 Length of Patronage

The length of time that a customer has used a particular branded good or service firm has been considered an important variable in better understanding why customers continue to purchase from one supplier (Jacobi and Chestnut 1978). Tse and Wilton (1988) have also suggested that time is an important variable in evaluating product performance. Moreover, when "the product" is a service whose attributes are often experience-related, evaluation is only possible after purchasing or consuming the product (Zeithaml, Berry and Parasuraman 1988) . For example, in a high experience service such as travel and recreation, evaluation requires a longer time period, since customers may only confidently evaluate the service during and after their travel experience. Moreover, over time, buyer and seller interact through several transactions, thereby allowing the sellers opportunities to show their customers that they are dependable and reliable. Therefore, satisfying past experience can be a basis for relationship establishment. Hence, length of patronage is thought to be an important determinant of long-term relationship development, and is therefore included in this study.

Similar to the approach adopted by Rust and Williams (1992) in a study of performing arts ticket holders, length of patronage in this study is defined as the length of the time period in which repeat purchases have been made from the same service provider. This means the time interval in which

the traveller has become a regular customer for a particular/specific travel agent.

3.3.4 Relationship Quality

In this study, relationship quality comprises two dimensions: a) satisfaction with the current relationship, and b) trust in the salesperson (similar to the approach adopted by Crosby, Evans, and Cowles (1990) in a study of the life insurance industry).

As described in the previous chapter, in some service contexts, customers face considerable uncertainty due to such factors as intangibility, complexity, lack of service familiarity, and long time horizon of delivery. Uncertainty implies the potential for service failure and negative outcomes. Relationship quality from the customer's point of view is achieved through the salesperson's ability to reduce perceived uncertainty (Zeithaml 1981). Therefore, a high relationship quality means that the customer is able to rely on the salesperson's ability and have confidence in the salesperson's future performance, because their level of past performance has been consistently satisfactory (Crosby, Evans, and Cowles 1990).

In addition, the role of trust in a long-term relationship has received considerable attention of late (Dwyer, Schuur, and Oh 1985; Morgan and Hunt 1994). Moreover, trust is particularly important in a relational context where individuals seek predictable and obligatory behaviour on the part of their relational partner, so that a relatively high degree of certainty is attached to future reward (Miller and Rogers 1987). Customer's trust is important, particularly when uncertainty and risk are inherent and warranties are often absent (Schlenker, Helm, and Tedeschi 1973). Hence, the customer's trust in relational sales contexts can be defined as a confident belief that the salesperson can be relied upon to behave in such a manner that the long-term

interest of the customer will be served (Crosby, Evans, and Cowles 1990). Furthermore the highly intangible nature of travel agency services is thought to exacerbate purchase risk. Hence trust is considered a critical antecedent of relationship commitment for travel agency services.

3.4 Moderator Variables

3.4.1 Psychological Switching Cost

Switching or termination cost has been identified by many authors as a factor contributing to staying in a relationship (Morgan and Hunt 1994; Ping 1993). Porter (1980) has defined switching cost as the perception of the magnitude of the additional costs that would be required to terminate the current relationship and secure the alternative. Switching costs encompass a) monetary or economic expenses and, b) psychological costs including expenditures of time and effort, such as involving the time necessary to find a replacement or the sheer effort or “hassle” of making the change (Barnes 1995).

When using travel agency services, it is not necessary for a customer to make a formal membership arrangement or a long-term contract. Customers can easily switch from one travel agency to another. Hence, the monetary or economic switching costs are negligible. However, explaining travel needs or preferences to a new travel agency can be perceived as a psychological switching cost. A risk that a new travel agency will not perform as efficiently as former travel agency can also be a potential psychological switching cost. A close and friendly relationship that have been built with the former travel agency will be lost. Moreover, building a close and friendly relationship with a new travel agency will take time. In addition, Boland (1994) has found that finding the right travel agent is not easy; it is like finding the ideal partner, it takes time and energy. Therefore, once a person finds a travel consultant who

is perceived to be trustworthy and reliable, he/she may stay with the travel consultant. Thus, travel agency customers are likely to face psychological switching costs rather than monetary switching costs if they terminate the relationship.

3.4.2 Relationship Motives

Within a consumer behaviour context, “motives” refers to an activated state within a person that leads to goal-directed behaviour. It consists of the drives, urges, wishes or desires that initiate the sequence of events leading to a behaviour (Bayton 1958). Expectancy theory suggests that behaviour is largely pulled by expectation of achieving desirable outcomes. Motive has also been recognised as an important factor in a close relationship, particularly in interpersonal relationships literature (e.g., Holmes 1981; Rempel, Holmes and Zanna 1985; Seligman, Fazio and Zanna 1980).

Literature suggests that people may engage in a relationship because they believe that the relationship will generate rewards (Foa and Foa 1974). Attribution theory distinguish rewards into two categories, intrinsic and extrinsic rewards. Intrinsic rewards implies that relationship itself generates its own rewards, while extrinsic rewards view relationship as a vehicle for obtaining desired rewards.

Thus travel agency customers may engage in a relationship with the service providers because they perceive that the relationship is rewarding. Intrinsic rewards in a customer-service provider relationship include a sense of genuine relationship, closeness, friendship, and a sense of appreciation from the service provider. Extrinsic rewards include the ability to obtain the best deal, increased attention on travel needs from service provider, and service provider willingness to help the customer.

3.5 Research Hypotheses

3.5.1 Hypothesised Relationship between Salesperson Expertise and Relationship Quality (Satisfaction and Trust)

As a service may vary its emphasis on either people or equipment attributes, or both (Lovelock 1991), customer satisfaction can be attributable to both the overall service or specific salespersons who interact with the customer regularly. Bitner et al. (1991) and Carlzon (1987) show the important event as being when direct contact occurs between a customer and a company representative. Therefore, the management of this encounter is critical and hence ultimate customer satisfaction with service delivery (Normann 1991).

Expertise often has been noted as an attribute of a salesperson that is linked positively to the salesperson's influence on a given target customer (Busch and Wilson 1976; Taylor and Woodside 1981). A customer's perception of market/product knowledge is associated with the salesperson's ability to provide information to customers. Moreover, product/market knowledge often is noted among the most important criteria in determining customer satisfaction with salespeople (Purchasing 1984). Parasuraman, Zeithaml, and Berry (1988) show that responsiveness and empathy are important determinant of service quality. Busch and Wilson (1976) found that salespersons with higher levels of perceived expert and referent power were viewed as more trustworthy by the customer. Similarly, Swan et al. (1985) and Crosby, Evans and Cowles (1990) noted competence to be an important determinant of the customer's perceived trust in the salesperson. Therefore, a positive relationship between perceived salesperson expertise and relationship quality is predicted. This leads to the hypotheses:

H1a: Higher salesperson expertise (product knowledge, responsiveness and empathy) perceived by the customer is positively related to relationship satisfaction.

H1b: Higher salesperson expertise (product knowledge, responsiveness and empathy) perceived by the customer is positively related to trust.

3.5.2 Hypothesised Relationship between Perceived Performance (Service Outcome) and Relationship Quality (Satisfaction and Trust)

As Parasuraman, Zeithaml and Berry (1988) have described, customer evaluation of a service comprises five dimensions: reliability, responsiveness, assurance, empathy and tangibles. While responsiveness, assurance, empathy and tangibility are related to "how" the service is delivered, reliability is more likely to be related to the outcome of the service, or "what" is delivered. Gronroos (1990) has suggested classifying service quality as functional and/or technical quality. Technical quality is concerned with service delivery, whereas functional quality is concerned with the outcome or "what" is delivered. As mentioned previously, reliability is related to company ability to perform the service as promised.

Berry and Parasuraman (1988) suggest that by being reliable, a company can develop customers' confidence in its capabilities. Furthermore, it also has a chance to earn a reputation for service excellence. In addition, Crosby, Evans and Cowles (1990) noted that consistency in service delivery can lead to trust, because the customer's best assurance of future performance is a continuous history of personalised and error free interaction. Many studies have shown that service performance is directly related to satisfaction and high service quality (Cronin and Taylor 1992; Fornell 1992; Patterson 1993). Rempel, Holmes, and Zanna (1985) note that trust evolves

through mutually satisfying interaction and increasing confidence in the relationship. Therefore, not only consistent outcomes can lead to trust, but the level of satisfaction with the current relationship can also create customer trust. Hence, this leads to the hypotheses:

H2a: Higher perceived performance (service outcome) will be positively associated with satisfaction with the current relationship.

H2b: Higher perceived performance (service outcome) will be positively associated with customer trust of the travel agent.

H2c: Higher levels of relationship satisfaction are associated with increased customer trust.

3.5.3 Hypothesised Relationship between Length of Patronage and Trust

Rempel, Holmes and Zanna (1985) have noted that building trust needs a certain length of time. They explain that trust is not likely to appear early in a relationship because there will be little basis in past experience for its development. Over time, however, buyer and seller interact through several transactions, thereby allowing the seller opportunities to show their customers that they are dependable and reliable. Previous studies in relational exchange has also suggested that the strength of a relationship will evolve through time (Dwyer, Schuur, and Oh 1987; Rempel, Holmes and Zanna 1985). In a study of performing arts ticket holders, Rust and William (1992) found that length of patronage positively influence repurchase intention.

Thus it is posited that length of patronage will be positively associated with trust, because the more often a customer has a consistent and satisfying experience and outcome, the more they will tend to trust their travel agent. This leads to hypothesis:

H3: Length of patronage will be positively associated with trust.

3.5.4 Hypothesised Relationship between Relationship Quality and Relationship Commitment

The level of satisfaction that has been experienced by customers is likely to have an important effect on the stay or leave decision (Levitt 1981). Low expectation of future exchanges may occur because of current relational problems. On the other hand, high expectation of future interchange is a reflection of favourable perception of the current relationship. Therefore, a customer's likelihood of maintaining a relationship (specifically in a personal selling context) may be influenced by the level of satisfaction with the current relationship (Frazier 1983; Weitz 1981).

The previous section has discussed why customers commit to a relationship with a service provider. Moreover, the literature also reveals that services have a greater capacity to create loyalty than do goods because of the nature of the service, especially, intangibility and inseparability (Czepiel 1990; Gusemann 1981; Gummesson 1981; Zeithaml 1981). An empirical study by Mitchell and Greatedorex (1993) in six service industries also suggests that brand loyalty is an important risk reliever. Thus, hypothesis 4 is:

H4a: Higher levels of relationship satisfaction will be positively associated with relationship commitment.

H4b: Higher levels of trust with the current travel consultant will be positively associated with relationship commitment.

3.5.5 Psychological Switching Cost as a Moderator of the Linkage between Relationship Quality and Commitment

Dwyer, Schurr and Oh (1987, p. 14) proposed that “the buyer anticipation of high switching costs gives rise to the buyer’s interest in maintaining a quality relationship”. Morgan and Hunt’s (1994) study indicated that switching cost (economic/monetary) had a direct effect on relationship commitment. However, we argue that switching costs is not a direct antecedent of relationship commitment. The existence of switching costs will raise higher switching barriers. In turn, customers may be bound into a relationship against their will. Such an arrangement does not characterise a “positive” genuine relationship as defined in Chapter 2. In a positive relationship, a customer continues using one particular goods or service firm because he/she has a positive attitude to the firm/products, not merely due to inertia or switching barriers. Thus switching costs is more a direct antecedents of repurchase intention rather than relationship commitment. This study focusses on the latter construct. Moreover, when the nature of the switching costs is a psychological one, not all customers perceive the presence of the switching costs. For example, after being a customer of a specific travel agency for a period of time and finding that the consultant is both competent and trustworthy, a customer might anticipate that frustration may result from having to explain specific needs or preferences to a new consultant. Furthermore, they have to face risks related to the uncertainty of service outcomes (performance) of a new travel agency. Therefore, the effect of satisfaction and trust on relationship commitment is expected to be enhanced when customers perceive higher psychological switching costs. Accordingly, rather than positing a direct effect from psychological switching costs, it is posited that high perceived psychological switching costs will serve to

strengthen the linkage between relationship quality (relationship satisfaction and trust) and relationship commitment. In other words, it is hypothesised that:

H5a: Under conditions of high psychological switching costs, the relationship between satisfaction and commitment will be stronger.

H5b: Under conditions of high psychological switching costs, the relationship between trust on relationship commitment will be stronger.

3.5.6 Motives as a Moderator of the Linkage between Relationship Quality and Commitment

Motives have long been recognised as a factor that drives people to behave as they do (Goldman 1974). Seligman, Fazio and Zanna (1980) in their research on close interpersonal relationships, found that expectation of achieving desirable outcomes has been a major motive for involvement in a close relationship. In addition, Rempel, Holmes and Zanna (1985) found that individuals will exhibit trust only to the extent that they see their own motives as positive and contributing to the maintenance and enhancement of the relationship. This suggests that when personal motives for continuing the relationship are high, trust will be less important in determining an ongoing commitment. Further, when personal motives for a continuing relationship are higher, this would seem to only strengthen the link between satisfaction and relationship commitment. In other words, under a high motives condition, relationship satisfaction will have a greater impact on relationship commitment, while, trust will have less impact. Hence, this leads to the following hypotheses:

H6a: Under conditions of high relationship motives, the relationship between satisfaction and commitment will be stronger.

H6b: Under conditions of high relationship motives, the relationship between trust and commitment will be weaker.

The hypotheses concerning the moderator variables are summarised in Table 3.1.

Table 3.1

Hypotheses Concerning the Moderating Effects of Psychological Switching Costs and Motives on the Linkage between Relationship Satisfaction, Trust and Commitment

Moderator Variables	Antecedent Variable	
	Relationship Satisfaction	Trust
Psychological Switching Costs	+	+
Relationship Motives	+ a	- b

a To be read as: The relationship between satisfaction and commitment will be stronger in situations of high rather than low motives.

b To be read as: The relationship between trust and commitment will be weaker in situations of high rather than low motives.

Chapter 4

Research Methodology

The preceding chapter presented a theoretical model of relationship commitment in a consumer services context. The hypotheses to be tested and their rationales were also discussed.

The purpose of this chapter is to outline the methodology of the research and the operational definitions of the variables involved. The chapter is organised into five sections. In the first section, the type of research design is addressed. The second section describes the sampling plan. The data collection instrument and procedure are discussed in the third section. The fourth section presents the operationalisation of the variables employed in the research. In the final section, the analytical techniques that were used to analyse the data collected are presented.

4.1. Type of Research Design

The key issue in deciding upon an appropriate type of research design was whether to use a cross-sectional research design or a longitudinal research design. Cross-sectional research designs involve obtaining data at a single period in time. On the other hand, the longitudinal research design collects data at several points in time. Is it more appropriate to obtain a "single picture" which provides the benefits of a larger sample, greater generalisability of results and uses less resources, or utilise a longitudinal study which is more likely to provide greater insight and understanding of processes (e.g., relationship commitment development), but is more expensive and less generalisable ?

Taking into account the above considerations, it was decided that due to the financial and time constraints imposed, a cross-sectional research design would be more appropriate.

4.2. Unit of Analysis and Sampling Plan

A unit of analysis is the element about which information is collected and analysed (Babbie 1990). In this research the unit of analysis is the individual traveller. To be a valid respondent for this study, the respondent had to have used a travel agency service at least once during the last eighteen months. To obtain as many responses as possible, eighteen months was viewed as an acceptable period of time, as travelling for some individuals is not a frequent event, particularly overseas travel. Further, this time-frame was thought to be sufficiently recent to allow accurate recall.

Respondents in this study can be placed into two categories; **regular** customers i.e., a traveller whose trips were arranged by a single, particular travel agency (a traveller who always deals with one travel agency) and **irregular** customer i.e., a traveller whose trips may have been arranged by more than one travel agency.

The sampling frame for regular customers was obtained from three mid-sized travel agencies in Wollongong, New South Wales, Australia. A list of 50 regular customers was collected from Harvey World Travel - Wollongong. Wollongong Travel Agent provided a list of 100 regular customers, and finally a list of 75 regular customers was provided by Harvey World Travel - Corrimal. Thus a total of 225 regular customers was collected from the participating travel agencies.

Irregular customers were obtained by offering every prospective customer who came to the three participating travel agencies during August and September 1995, the opportunity to participate in the study. Each travel

agency was asked to distribute 100 questionnaires to their prospective customers in order to get as many respondents as possible. A list of 200 staff members from the University of Wollongong was also employed as an additional sampling frame. Teaching staff with positions of associate professor and senior lecturer were chosen as potential respondents, considering that they often have to attend seminars either in Australia or overseas. Thus the total sample size for the research was 725, comprised of 225 regular customers, 300 irregular customers and 200 staff members of Wollongong University.

Table 4.1 shows the sampling frame source and the total number in the sample.

Table 4.1 Sampling Frame Source

Sampling Frame Source	Number of Clients Supplied
Harvey World Travel - Wollongong	50
Wollongong Travel Centre	100
Harvey World Travel - Corrimal	75
Total Regular Customers	225
Total Irregular Customers	300
Wollongong University Staff Member	200
Total	725

There does not exist a comprehensive sampling frame of both regular and irregular travellers, hence it is not possible to employ a probability sampling procedure (Aaker and Day 1980). Rather, the sampling method in this study constitutes a non-probability, judgmental sampling procedure.

4.3. Data Collection Instrument and Procedure

The data collection instrument consisted of a cover letter and a structured questionnaire (Appendix 3). An initial pool of items representing the constructs in the model to be tested was generated from the literature study and extensive interviews with 25 regular and irregular customers. Interview protocol was used in the interview. In each interview, the customer was asked to discuss issues about the customer - travel agent relationship. Moreover, the interview also explore as to why customer choose to remain stay with one travel agency or to continuously switch. Sample for this interview was obviously a convinience one.

Then this initial pool was reviewed by two marketing academics and three travel consultants from the participating travel agencies. After the review, the questionnaire for the study was developed. It was then pretested at 15 separate interviews. At these interviews, each customer was asked to identify any difficulties or ambiguities in the questions. Once again, the three travel agencies were also asked to review the questionnaire. These interviews led to the improvement of the instrument to enhance respondent understanding. Some items were deleted and re-wording was undertaken. The revised questionnaire was again pretested on 10 travel agency customers, and reviewed by two marketing academics experienced in questionnaire design. As a result minor changes were again made before the final instruments were prepared.

Babbie (1990) recommends that the content of a questionnaire must be arranged in a format, with distinctive sections to help respondents' understanding of the different information required and ensure ease of answering the questions. Additionally, such a format generates interest and encourages the informant to complete the questionnaire. Before deciding on

the final format, the questionnaire was again evaluated by two marketing academics who had wide experience in questionnaire design.

As shown in Appendix 3, the cover page of the questionnaire contained the definitions of travel agency and travel consultant. It also contained a brief explanation about the travel agency that the respondent intends to use as a point of reference throughout the questionnaire. Finally, a list of travel agency products was presented to help the respondents define travel agency services.

The first section of the questionnaire is a "warm-up section" to assist respondents to focus their thoughts on travel agency services which they used in the previous 18 months. The degree of importance of customers' ability to deal with the same travel consultant each time they do business with a particular travel agency, as well as the probability of continuing to do business with the agency, if their usual travel consultant left the agency, were also asked in the first section.

In the second section, the respondent was asked to express his/her opinion about how the travel consultant delivers the service and about the performance of the service outcome. This section also included 7 items asking the respondent's opinion about his/her level of trust in the travel consultant. Section three of the questionnaire asked respondents about the level of satisfaction with the relationship they have with their travel agency. Several statements were also made to enable the respondents to express general opinions about switching cost and product differentiation in travel agency services.

In section four, respondents were asked to give their opinions on whether they believed they would benefit from continuing to deal with one travel agency, as well as how important each benefit was to them. This section also included two questions that tapped the respondents' intention to

stay with one particular travel agency. The final section concerned the respondent profile, including items such as travel experience, purpose of the trip, respondent's age, gender and occupation.

The procedure adopted to acquire responses was as follows. The regular customer (whose name, address, and contact number were supplied by the three co-operating travel agencies) was first contacted by telephone asking for their co-operation in participating in the study, which was under the auspices of the University of Wollongong. A total of 21 regular customers refused to participate in the study. Thus after the preliminary telephone conversation, the sample size of the study was reduced to 704. Finally, a package containing the survey questionnaire, a cover letter describing the purpose and importance of the study, and soliciting cooperation, and a reply paid envelope, was despatched to the sample of 704 customers.

A total of 37 questionnaires which were distributed to the University staff members, were returned because the respondents either had not used travel agency services in the previous 18 months. Further, two questionnaires were deemed unusable because of missing data on some key items. Thus the effective sample of the study was 665. A total of 265 questionnaires were completed representing a net response rate of 39.7 percent. This response rate is considered encouraging as it compares favourably with other studies in the field involving the use of mail questionnaires. For example, the response rate for Crosby, Evans, and Cowles (1990) was 32.2 percent .

4.4 Operationalisation of Research Variables

This section discusses the measures of the dependent and explanatory variables in the conceptual model presented in Figure 3.1. Multiple-item scales were employed to measure most of the variables in the study. Such scales are necessary to adequately and accurately capture the

domain of the constructs (Churchill 1979; Nunnally 1978). This approach to measurement tends to reduce measurement error and increase reliability and validity of the measures (Peter 1979; Churchill 1979). Most measures were either adapted or modified from past research, or developed from literature study and extensive interviews with both travellers and travel consultants. A five point scale with no verbal labels for scale points 2 through 4 was employed to measure most of the variables. All scale values for negatively worded statements were reversed prior to data analysis.

4.4.1 Dependent Variable: Relationship Commitment

The dependent variable of interest is customer's relationship commitment to a particular travel agency. Relationship commitment was measured by using a 5-item scale. Question 15 (Q15), used to measure relationship commitment, was modified from Morgan and Hunt (1994), and Anderson and Weitz (1992). This measure captures both the importance of the relationship to respondents and their desire to maintain the relationship. Respondents were asked to express their opinion of their relationship with their current travel agency on a scale ranging from 1 = "strongly disagree" to 5 = "strongly agree" for each item.

4.4.2 Independent Variables

The conceptual model presented in Figure 3.1 postulates that relationship commitment is a result of several antecedents. Interaction between salesperson expertise, perceived performance (service outcome), and length of patronage is hypothesised to affect the relationship quality (comprising relationship satisfaction and trust). Finally, the perceived relationship quality is posited to establish relationship commitment. Several factors, e.g., perceived psychological switching cost and relationship motives

are hypothesised to act as moderators variables between relationship quality and relationship commitment. Most of the items used for measuring the independent variables were adapted from existing scales in the service and relationship marketing literature. The measures of each independent variable are discussed in the next section, and presented in Tables 5.2 through 5.5.

4.4.2.1 Salesperson Expertise

As discussed in the Chapter 3, salesperson expertise refers to how the travel consultant performs during delivery of the service. It is comprised of travel consultant's product knowledge, responsiveness and empathy. In this research, the items were modified from the SERVQUAL instrument (Parasuraman, Zeithaml, and Berry 1988), as SERVQUAL measures has been used widely in many industries (Brown, Churchill and Peter 1993). However, several researchers have suggested that in specific service situations, it may be necessary to delete or modify some of the SERVQUAL dimensions as well as adding items or changing the wording of items, or even introduce new dimensions (Carman 1990; Finn and Lamb 1991). Thus a new dimension, i.e., product knowledge, was introduced into our scale as it was considered critical to delivery of satisfactory service in a travel agency context. Furthermore, as the service encounter in this research is specifically an interaction between a traveller and a travel consultant, responsiveness and empathy were considered as important dimensions in service delivery.

4.4.2.2 Perceived Performance (Service Outcome)

Perceived performance (service outcome) in this research refers to the quality of travel products such as air-trips, coach-trips, holiday packages, accommodation etc, that the customers have purchased on their travel consultant's recommendation. Again, items from SERVQUAL instrument

(Reliability dimension) have been modified to capture "outcome dimension" in this research.

4.4.2.3 Length of Patronage

Length of patronage has been defined as the length of time a travel agency's client has been dealing with his/her present travel agency. Hence, length of patronage is measured in term years and months.

4.4.2.4 Relationship Quality

As described in Chapter 2, relationship quality in this research comprises two constructs; relationship satisfaction and trust. Relationship satisfaction refers to the level of satisfaction/dissatisfaction with the current relationship. On the other hand, trust measures the extent to which a travel agency's clients trust the travel consultant they dealt with.

Relationship Satisfaction

Three items were used to measure relationship satisfaction. Question 10 (Q10) were adapted from Oliver and Swan (1989). Respondents were asked to indicate their agreement or disagreement on a 5-point scale. Relationship satisfaction was also measured by a global measurement by using a 5-point scales anchored by "very dissatisfied" and "very satisfied" (Q11).

Trust

Seven items used to measure trust (Q9) were adapted from Crosby, Evans and Cowles (1990). The items tapped the tendency to trust a particular individual in a specific marketing context. Respondents were asked to express their agreement or disagreement with the statements reflecting the

level of trust on a scale ranging from 1 = “strongly disagree” to 5 = “strongly agree”.

4.4.2.5 Psychological Switching Cost

Nine items modified from Ping (1993) were used to measure perceived switching cost. The items tapped the psychological switching costs dimension, and included aspects such as wasted time, loss of a friendly and comfortable relationship, hassle in explaining travel preferences to a new travel agency, and risk that the new agency's product would not be as attractive as the previous one. Similar to the preceding variable, a 5-point scale ranging from 1 = “strongly disagree” to 5 = “strongly agree” was used.

4.4.2.6 Relationship Motives

In this research, motive refers to respondents' perceptions of the benefits of staying with one travel agency and the likelihood of receiving those benefits. There are no established measurement scales available for relationship motives in this context. Hence, a scale was created to assess relationship motives by adapting items from Rempel, Holmes and Zanna (1985). The items focussed on benefits that a respondent may get from their travel consultant if they commit to one agency, such as recognition, genuine relationship, being treated as an important client, greater possibility of getting the best deal, and getting more attention. Two 5-point scales were used to assess motives, firstly anchored by “highly unlikely” and “highly likely”, to measure the likelihood of receiving the benefit. Secondly, a scale anchored by “not important at all” and “very important” to measure the degree of importance of the benefits to respondents. The scores for each relationship motive item were then computed by multiplying the importance scores and the likelihood scores.

4.5 Data Analysis Method

The previous section discussed the operational definitions and measures of variables employed in the research. This section presents details of the methods that were used to analyse the data collected.

4.5.1 Reliability of Measures

Prior to their use in data analysis, the measures of each variable were assessed for reliability. Reliability assesses the extent to which measures of variables are free from error and thus yield consistent results (Peter 1979). According to Churchill (1979, p.68), responses to items in a measure that belong to the domain of a single variable "... should be highly intercorrelated. Low inter-item correlations...indicate that some of the items are not drawn from the appropriate domain and are producing error and unreliability". He further asserted that "coefficient alpha absolutely should be the first measure that one calculates to assess the quality of the instrument" (p.68). Additionally, Peter (1979, p.8), asserted that coefficient alpha is the most commonly accepted statistic for measuring the reliability of multi-item measurement scales with multiple points, as used in this research.

A large alpha coefficient indicates that the multiple measures adequately capture the construct being measured, while a low alpha means that the measures perform poorly in measuring the construct (Churchill 1979). In determining what is a "low" and "high" alpha, Churchill (1979) and Nunnally (1978) suggested that an alpha in the range of .50 to .60 is suitable for early stages of research, while .70 and above would be adequate for most research purposes. In an extensive review of the empirical marketing literature, Churchill and Peter (1984) reported that 85% of the studies used .50, while 69% used a .70 alpha value as adequate. Since most of the

measures employed in this study were borrowed or modified from the past research, the standard for judging the acceptability of the reliability of items measuring a variable was set at .70.

4.5.2 Validity of Measures

Three aspects of validity assessed were convergent, discriminate and face validity. Face validity measures the extent to which a measurement captures what it is supposed to measure. It refers to the subjective agreement of researchers, experts, or people familiar with the market, product, or industry that a scale logically appears to be accurately reflecting the construct to be measured (McDaniel and Gates 1993). Convergent validity measures the extent to which different items measuring the same variable correlate or converge with each other (Churchill 1979). On the other hand, discriminate validity measures the extent to which measures of one variable differ from measures of another variable.

Convergent validity is indicated by high correlations between the items measuring the variable of interest. On the other hand, discriminate validity is indicated by low correlations between the items which are supposed to measuring other variables. Factor analysis is a technique used to establish an underlying set of dimensions from a larger set of original variables. It is therefore an appropriate technique for testing the convergent and discriminate validity of measurement scales containing a large number of items (Churchill 1979). Furthermore, several constructs in this research, i.e., salesperson expertise, psychological switching cost, and relationship motives were measured with a large number of items. They were factor analysed to assess the underlying dimensions as well as the validity of the component variables. The use of factor analysis also helps to reduce collinearity among the resulting factors to be used in subsequent analyses (Hair, Anderson, and

Tatham 1990). In using factor analysis, the suitability of the sample size was assessed. Furthermore, they suggested that a researcher generally should not factor analyse a sample of fewer than 50 observations. A sample size of 100 or more is required. They asserted that as a general rule there should be four or five times as many observations as there are variables to be analysed. The largest number of items factor analysed in this research were 13 items relating to sales person expertise. With a sample size of 265, this study therefore meets the standard suggested by these authors.

Face validity was established by showing all constructs and accompanying questions to the three travel agents and two marketing academics knowledgeable in relationship marketing to determine if they tapped the domains of the constructs. Items that were misclassified by more than one judge were dropped from the measure. Moreover, several measures used in the study are new (i.e., psychological switching costs and relationship motives), therefore, they were adapted from the existing literature and hence have construct validity. Psychological switching costs was measured using a modification of the Ping (1993) switching costs scale. Relationship motives were also measured using a modification of an existing scale i.e., Rempel, Holmes and Zanna (1985) interpersonal relationship motives scale.

4.5.3 Causal Path Analysis

Causal modelling or path analysis is considered to be a general term for a diversity of scientific approaches dealing with the representation of cause and effect (Bagozzi 1980). Path analysis is basically concerned with estimating the magnitude of the linkages between variables in a specified path model, and using the estimates to provide information about the underlying causal processes.

As a statistical technique, path analysis is little different from least squares regression in recursively estimating a system of equations. However, as a pattern of interpretation, path analysis has some distinct advantages (Duncan 1966). First, it makes the causal linkages or assumptions in the model explicit and forces the causal scheme to be at least internally consistent. Second, path analysis enables the measurement of direct as well as indirect effects that one variable has upon another. It is this feature of path analysis which enables the building of complex models of causal relationships of a type unattainable by multiple regression analysis (Martin and Elliot 1971). Finally, path analysis enables the decomposition of the correlation between any two variables into simple and compound paths.

In summary, recursive path analysis is superior to ordinary regression analysis since it allows us to move beyond the estimation of direct effects, the basic output of regression. A major advantage of recursive models over non-recursive ones is evident when one attempts to estimate the coefficients of the models. By restricting the model to having no feedback loops, ordinary least squares regression can be used to solve for the coefficients. Furthermore, path analysis allows for the examination of the causal processes underlying the observed relationships and to estimate the relative importance of alternative paths. It is for these reasons that this technique was chosen as the major analytical tool for data analysis in this study.

In developing a causal model, variables must be "specified", *a priori*, to be either causes or effects for each equation in the model. Furthermore, if there is a causal relationship between variables, we must be able to specify *a priori*, the direction of those relationships. In recursive models, the specified ordering of the variables must be based clearly upon theory (Duncan 1975). Furthermore, the model must be sufficiently specified to allow for all

coefficients to be estimated. If all coefficients cannot be estimated, then the model is said to be under-identified.

4.5.4 Assumptions in Causal Modelling

Recursive path analysis uses the same assumptions as linear regression. The relationships among constructs are assumed to be linear. If the underlying structure of the causal relationship is not linear and cannot be transformed to a linear function, then estimates of the parameters could be biased. Furthermore, the errors in the equations are assumed to be normally distributed and homoscedastic, with expected values of zero. The errors in the equations are further assumed to be uncorrelated with each other and with the true constructs.

The explanatory variables used in regression equations are called the independent or predictor variables. They are, however, seldom independent in a statistical sense. Statistical independence implies that the variables are mutually uncorrelated, but if that is the case, regression analysis would be unnecessary since the standardised regression coefficients would reduce to zero-order correlation coefficients (Asher 1983). The problem of multicollinearity - highly correlated independent variables - may lead to unreliable parameter estimates of the regression coefficients.

Multicollinearity is, however, much more likely to be a problem with aggregate data than it is with survey data compiled from individuals. This is because in aggregating observations, the random measurement error component of the scores is likely to be cancelled out, whereas in survey data, random measurement error is ever present. As stated by Asher (1983), the presence of random error attenuates correlation coefficients, thereby making the problem less likely and, therefore, less worrisome in recursive path analysis using survey data. Moreover, a recent study by Mason and Perreault

(1991) suggests that fears about the harmful effects of collinear predictors are often exaggerated.

The following two chapters present the results of the study. Chapter 5 presents a preliminary examination of the data, including a profile of the respondents and tests of the validity and reliability of the measures. Chapter 6 presents the empirical path model of relationship commitment as well as the hypothesis testing results.

Chapter 5

Data Analysis

The previous chapter presented a description of the research methodology, operationalisation of the dependent and independent variables, and the data analysis methods. The purpose of this chapter is to present a preliminary analysis of the data collected.

The chapter is divided into three sections. The first section presents summary statistics of the respondents' profile. The second section discusses the reliability and validity tests of the measures of the dependent and independent variables. The last section presents a correlation analysis for the key constructs in this study.

5.1 Summary Statistic of Respondents' Profile

This section presents statistics on key demographic characteristics of the sample. These are presented in Table 5.1. As Table 5.1a indicates, the respondents comprised 74.3 percent personal/private traveller and 25.7 business traveller.

In terms of length of patronage, a good spread was achieved in the sample with 22.6 percent of respondents dealing with their present travel agency for less than one year. Approximately 28 percent have been dealing with their travel agency for one to two years, and a further twenty eight percent for between two and four years. Finally, the balance (21.1 percent) of respondents have been dealing with their present travel agency for more than four years.

From Table 5.1c, approximately 21 percent of respondents have dealt with their present travel agency only once. Nearly half (44 percent) of the

respondents have dealt with the present travel agency between two and four times. Some twenty five percent have dealt between five and ten times. A further 10 percent have dealt more than ten times.

In terms of overall usage, 32.5 percent of respondents use travel agency services on average once a year; approximately 30 percent reported twice a year; 21.4 percent use them three times a year and the rest (15.9 percent) at least four times a year.

Table 5.1e shows 36.2 percent of respondents perceive it is very important to deal with the same travel consultant each time they do business. Twenty nine percent perceive it as important. Thus approximately 65 percent consider it either very important or important. Only 23 percent of respondents perceive it is not important at all or not important to deal with the same travel consultant each time they do business with a particular travel agency. This finding therefore suggests that in the main, customers prefer to deal with a familiar service provider.

In terms of occupation, there was a slight bias towards professionals with 33.8 percent being professional workers such as lecturers, accountants, or medical employees. Some 19.2 percent are office workers/clerical; 15.5 percent are retired persons or pensioners; 11.7 percent are doing home duties; 4.5 percent are tradesmen; and less than 2 percent are unemployed. As no Australian data could be located which profiled users of travel agency services, it is difficult to assess the representativeness of the sample. Nonetheless, representative samples are not considered essential for theory development research, as in the case here.

Table 5.1 Characteristics of Respondents in the Sample

(a) Type of Traveller

Type	Number	Percentage
Business	68	25.7
Personal	197	74.3
Total	265	100.0

(b) Length of Patronage with Travel Agency

Length of Patronage	Number	Percentage
less than 1 year	60	22.6
12 - 24 months	75	28.3
25 - 36 months	41	15.5
37 - 48 months	33	12.5
more than 4 years	56	21.1
Total	265	100.0

(c) Frequency of Dealing Frequency with Travel Agency in Past 18 Months

Frequency	Number	Percentage
1 time	56	21.1
2 - 4 times	116	43.8
5 - 10 times	67	25.3
more than 10 times	26	9.8
Total	265	100.0

Table 5.1 (continued)

(d) Average Annual Frequency of Using Travel Agency Services

Annual Frequency	Number	Percentage
1 time	82	32.5
2 times	76	30.2
3 times	54	21.4
more than 4 times	40	15.9
Total	252	100.0

(e) Perceived Importance of Ability to Deal with the Same Travel Consultant.

Perceived Importance	Number	Percentage
Very Important	96	36.2
Important	77	29.1
Somewhat Important	31	11.7
Not Important	23	8.7
Not Important at All	38	14.3
Total	234	88.3

(f) Respondent Occupation

Occupation	Number	Percentage
Professional	88	33.8
Office Worker	51	19.6
Home Duties	31	11.9
Student	34	13.1
Tradesman	12	4.6
Retired	41	15.8
Other	3	1.2
Total	260	100.0

5.2 Convergent and Discriminate Validity of Measures

Three types of validity were considered in the research i.e., face, convergent and discriminate validity. Face validity assessment has been discussed previously in Chapter 4. Another two types of validity i.e. convergent and discriminate validity will be discussed in this section. As indicated in Chapter 4, all of the key constructs in the study were multi-itemscales with one exception - length of patronage (LOP), which was simply the length of time the respondent has dealt with the present travel agency.

Multi-dimensional scales were utilised for salesperson expertise, psychological switching costs and relationship motives. The underlying dimensions were therefore examined with principal component factor analysis (varimax rotation). Composite variables were subsequently developed from the emergent factors. The convergent and discriminate validity of the variables were then assessed by examining the extent to which items measuring each variable load heavily on it. All items of a scale should load strongly on one factor if they are to satisfy the requirements of convergent validity, and load weakly on all other factors to satisfy the requirements of discriminate validity. Further, to verify their uni-dimensionality, items in the relationship satisfaction (SAT), trust (TRUST), and commitment (COMIT) scales were factor analysed separately.

In each case, the choice of a factor solution was based on the following criteria:

- Factor interpretability: whether or not the variable groups matched the intuitive conceptualisation of the hypothesised concept.
- The amount of variation explained by each factor or latent root must be greater than one.

- The scree test which plots the eigenvalues against the number of factors in the order of extraction. The point the curve levels off indicates the appropriate number of factors to extract. According to Stewart (1981), the roots criterion and the scree test provide an effective way of determining the number of factors.

The SPSS-x program allows factor loadings of a specified level to be suppressed to facilitate easy interpretation. Factor interpretation based on factor loadings of .40 and greater is considered good practice (Hart 1989). Accordingly, .40 was selected as the level below which factor loadings were to be suppressed. This procedure also allowed for the sorting and ranking of the items loading on each factor. In the following sections, the emergent factors, and their labels are presented.

5.2.1 Factor Analysis: Salesperson Expertise Scale

When the responses to the 13 items of salesperson expertise scale were subjected to principal component factor analysis (varimax rotation), surprisingly, only one factor emerged which explained 66.5 percent of the total variance, and all factor loadings were greater than 0.71. *A priori*, it was hypothesised that salesperson expertise category was comprised of product knowledge, responsiveness and empathy. However, this proved not to be the case. Several further analyses were therefore conducted to decide whether the scale was still to be treated as a multi-dimensional scale or a uni-dimensional scale as indicated by the factor analysis result.

First, we constructed three composite variables from the 13 items according to the *a priori* hypotheses. The three composite variables were named product knowledge (PROKNOW), responsiveness (RESPON) and empathy (EMPATHY). Second, we treated the 13 items as a uni-dimensional

scale, thus a composite variable was constructed, namely EXPERT. Then we ran reliability tests for those composite variables. The alpha coefficients for each variable are .87 (PROKNOW), .89 (RESPON), .93 (EMPATHY), and .96 (EXPERT) respectively. The reliability tests for each scale are presented in Table 5.2.

Table 5.2 Reliability Analysis: Salesperson Expertise Items

Variable/Label/Items	Coefficient Alpha	Item-Total Correlation
Product Knowledge (PROKNOW)	.87	
My Travel Consultant:		
• Is knowledgeable about a wide range of travel and accommodation products.		.77
• Has access to up-to-date travel information		.76
• Knows how to get the best deal for me		.74
• Has various kinds of documentation and/or brochures on different destinations.		.64
Responsiveness (RESPON)	.93	
My Travel Consultant:		
• Is never too busy to be contacted whenever I have a problem with my travel arrangements.		.81
• Usually provides prompt service		.70
• Is always willing to help me whenever I have a problem with my travel arrangements.		.77
• Keeps me informed of any changes in my trip itinerary		.79
Empathy (EMPATHY)	.93	
My Travel Consultant:		
• Takes a personal interest in me		.82
• Takes the time to understand my specific needs before booking a trip		.79
• Treats me as an individual and not just another customer		.86
• Takes the time to understand my travel preferences		.86
• Has my best interests at heart		.77

Note:

All scales are 5-point Likert Scales

Table 5.2 (continued)

Variable/Label/Items	Coefficient Alpha	Item-Total Correlation
Salesperson Expertise (EXPERT)	.96	
My Travel Consultant:		
• Is knowledgeable about a wide range of travel and accommodation products.		.75
• Has access to up to date travel information		.66
• Knows how to get the best deal for me		.80
• Has various kinds of documentation and/or brochures on different destinations.		.66
• Is never too busy to be contacted whenever I have a problem with my travel arrangements.		.80
• Usually provides prompt service		.72
• Is always willing to help me whenever I have a problem with my travel arrangements.		.82
• Keeps me informed of any changes in my trip itinerary		.78
• Takes a personal interest in me		.79
• Takes the time to understand my specific needs before booking a trip		.83
• Treats me as an individual and not just another customer		.81
• Takes the time to understand my travel preferences		.89
• Has my best interests at heart		.76

Note:

All scales are 5-point Likert Scales

Further, a comparison of alpha coefficients was undertaken. The result showed that the dimension which consists of 13 items was the most reliable.

Second, a correlation matrix of all variables in the model was computed (in which the 13 items were treated as 3 composite variables). The matrix showed that PROKNOW, RESPON, and EMPATHY were highly correlated with each other (all exceed .81). Moreover, the correlation coefficients were higher than the correlation coefficients between each variable and the ultimate dependent variable, i.e., relationship commitment (COMIT) (.72, .64 and .68).

Therefore, based on those analyses, it was decided to treat the 13 items as a uni-dimensional scale in subsequent analyses. Additionally, Cronin and Taylor (1992) suggest that the items from the SERVQUAL scale can be treated uni-dimensionally after a five factor-solution failed to fit their SERVQUAL items. The new composite variable in this study comprising 13 items was labelled EXPERT. The items of the scale reflect the travel consultant competence (expertise) in delivering the service, as follows:

- Knowledgeable about a wide range of travel and accommodation products.
- Having access to up-to-date travel information.
- Knowing how to get the best deal for customers.
- Possessing various kinds of documentation and/or brochures on different destinations.
- Taking a personal interest in customers.
- Taking the time to understand customers specific needs and preferences before booking a trip.
- Treating the customer as an individual.
- Keeping the customer informed of any changes in the trip itinerary.

- Providing prompt service.
- Willing to help whenever customers have problem with travel arrangements.

5.2.2 Factor Analysis: Psychological Switching Costs

Nine items were included in the questionnaire to measure perceived psychological switching costs. Interestingly, rather than one, two underlying dimensions emerged with eigenvalues greater than one after factor analysis. One item, perceived similarity among agencies, did not load heavily on any factor and was subsequently omitted. The two factors were labelled **psychological switching costs** and **alternative attractiveness**. The items, factor loadings, eigenvalues and percent of variance explained are presented in Table 5.3.

Factor 1: Psychological Switching Costs

The first factor captured 4 items which tapped the perceived psychological switching costs such as time wasting in search for a new agency, the losing of a friendly and comfortable relationship, spending time explaining travel preferences and risk that new travel agency will not be as efficient as present one. All items loaded heavily on this construct, indicating reasonable convergent validity. These items reflect perceived psychological switching costs as discussed in Chapter 3. Thus, the factor was labelled "Psychological Switching Costs". The factor had an eigenvalue of 3.4 and accounted for 42.3 percent of the total variance explained. The high explained variance indicates that this factor captures the underlying dimension represented by the four items.

Table 5.3

Factor Analysis:

Psychological Switching Costs and Alternative Attractiveness

Factor Labels and Items	F1	F2
Factor 1: Switching Costs		
• On the whole, I would waste a lot of time if I were to change my travel agency.	.86	.08
• I will lose a friendly and comfortable relationship if I change.	.90	.10
• If I change, I will have to spend a lot of time explaining my travel preferences to the new travel agency.	.86	.01
• If I change, there is a risk the new agency won't be as efficient.	.85	.04
Factor 2: Alternative Attractiveness		
• The price across products charged by travel agencies are similar.	.24	.58
• All travel agencies give a similar level of service to customers.	.15	.84
• All travel agencies offer a similar range of products and services.	.08	.81
• All things considered, most travel agencies are similar.	.24	.86
Eigenvalue	3.4	2.2
Percent of Variance Explained	42.3	27.9
Cumulative Variance Explained	70.2	

Factor 2: Alternative Attractiveness

The second factor was labelled "Alternative Attractiveness" of other travel agencies since it included four items that tap the perception of travel agency attractiveness similarity, i.e., product and service attractiveness similarity. This factor explained 27.9 percent of the total variance explained, and it had an eigenvalue of 2.2. Although no *a priori* hypothesis was put forward for this dimension, it was nonetheless examined for its moderator effects (similar to switching costs).

5.2.3 Factor Analysis: Relationship Motives

As described in Chapter 3, "Relationship Motives" was measured by using two scales. The first scale measured the likelihood of getting the relationship benefits, and the second scale measured the importance of each benefit to customer. "Relationship Motives" was then constructed as a multiplicative function of the two scales. Further, ten items which were obtained by multiplication of (a) the likelihood of getting the benefit and (b) the importance of benefits, were subjected to factor analysis.

Two items, travel consultant willingness to listen and, paying attention to the customer's need, did not load on any factor and were omitted. Two underlying dimensions or factors emerged when the eight remaining items were factor analysed. Each factor had an eigenvalue greater than one. Together, they accounted for an impressive 81.1 percent of the variance. The two factors were labelled **emotional** and **rational motives**. The detailed result of the factor analysis is presented in Table 5.4.

Table 5.4

Factor Analysis:

Emotional and Rational Motives

Factor Labels and Items	F1	F2
Factor 1: Emotional Motives		
My travel consultant:		
• Is more likely to treat me like a personal friend	.82	.39
• Would have a genuine relationship with me.	.87	.32
• Would always recognise me the moment I contact them	.89	.24
• Is more likely to make me feel important	.80	.35
Factor 2: Rational Motives		
My travel consultant:		
• Would always search for the cheapest price for me	.37	.84
• Would go out on their way to search for the best deal for me	.20	.86
• Would be more likely to do what I want	.38	.79
• Would be more likely to help me when something goes wrong	.35	.81
Eigenvalue	5.4	1.1
Percent Variance Explained	67.7	13.4
Cumulative Variance Explained	81.1	

Factor 1: Emotional Motives

This factor contains four items. It was labelled "Emotional Motives" because all the four items related to intrinsic reasons for relationship continuation, such as having a genuine relationship, being treated as a personal friend, being treated as important, and personal recognition by the travel consultant. All items displayed high convergent and discriminate validity, since all loaded heavily on factor 1 and the factor explained 67.7 percent of the total variance amongst the variables.

Factor 2: Rational Motives

The second factor accounts for 13.4 percent of the explained variance. All items had high factor loadings and indicated reasonable convergent validity. The factor included items such as, travel agency willingness to search for the best deal, searching for the cheapest prices, helping when something goes wrong, and doing what the customer prefers. Together, they reflect an extrinsic or more rational reasons for relationship continuation, and therefore, the factor was labelled "rational motives".

5.2.4 Factor Analysis: Hypothesised Uni-dimensional Measures

Several measures in this study, i.e. perceived performance (service outcome), trust, relationship satisfaction and commitment were hypothesised as being uni-dimensional. Therefore, items in each measure were factor analysed separately to verify the uni-dimensionality. As hypothesised, in all cases, a single factor emerged. As Table 5.5 clearly shows each factor explains a high proportion of total variance, ranging from 59.4 percent to 73.5 percent with eigenvalues ranging from 3.6 to 4.2. The summary of eigenvalue and total explained variance of each factor is presented in Table 5.5.

Table 5.5

**Factor Analysis for Uni-dimensional Scales:
Perceived Performance (Service Outcome), Trust, Relationship
Satisfaction and Relationship Commitment**

Factor Labels and Items	Factor Loadings
Service Outcome (OUT):	
• My trip arrangements (accommodation, holidays and/or transportation booking such as flights, coaches, etc.) are always free of errors.	.75
• As far as I'm concerned, my travel agency performance is excellent.	.90
• The recommendations they make are usually accurate.	.88
• My travel agent usually performs the service right the first time.	.84
• Their performance in getting a good deal for me is excellent.	.85
Trust (TRUST):	
• My travel consultant can be relied upon to keep his/her promises	.79
• There are times when I find my travel consultant is a bit insincere	.78
• I find it necessary to be cautious in dealing with my travel consultant	.76
• My travel consultant puts the customer's interest before his/her own	.68
• My travel consultant is very honest with me	.82
• I suspect that my travel consultant has sometimes withheld certain information that might have affected my decision-making	.71
• All things considered , I trust my travel consultant	.83
Relationship Satisfaction (SAT):	
• I am happy with my decision to use this travel agency	.94
• My choice of this travel agency was a wise one	.95
• I feel good about my decision to use this travel agency	.96
• Overall satisfaction ^a	.91
Commitment (COMIT):	
• I'm committed to my relationship with my travel agency	.91
• I wish to maintain the relationship with my travel agency	.93
• I'm patient with my travel agency if they make a mistake	.71
• I am not looking out for another travel agency to replace the present one	.82
• The relationship is important to maintain	.90

	Eigenvalue	Percent Variance Explained
OUT	3.6	71.7
TRUST	4.2	59.4
SAT	3.6	89.3
COMIT	3.7	73.5

Note:

- All constructs were measured in 5-point Likert Scales anchored with "strongly disagree" and "strongly agree".
- a: Bipolar 5-Point Scale, anchored with "very dissatisfied" and "very satisfied"

5.3 Reliability Test of Measures of the Dependent and Independent Variables

The preceding section presented factor analysis results which indicate that the items measuring the independent and dependent variables have acceptable validity. After conducting validity tests, the next step in the analysis process involved testing the reliability of the measures used in this research. As discussed previously in Section 4.5, reliability was assessed by computing the coefficient alpha (Cronbach Alpha) for all the variables measured with multiple items.

The results of the reliability tests are presented in Table 5.6. In each case, the table shows the variable name, label, component item measures, corrected inter-item correlation coefficients, and coefficient alpha. As the table shows, the alpha coefficients supports the internal consistency of the factor components, since all of the variables exceed the acceptable alpha standard (for most research purpose) of .70 (Churchill 1979, Nunnally 1978). The respective items measuring each variable were then summed and a simple average computed to obtain composite construct scores for subsequent analysis. Additionally, recording of reverse scales was done where appropriate.

Table 5.6
Reliability Analysis for Variables in the Model

(a) Dependent Variable	Coefficient Alpha	Item-Total Correlation
Relationship Commitment (COMIT)	.90	
• I'm committed to my relationship with my travel agency		.83
• I wish to maintain the relationship with my travel agency		.87
• I'm patient with my travel agency if they make a mistake		.59
• I'm not looking out for another travel agency to replace the present one		.72
• The relationship is important to maintain		.82
(b) Independent Variables		
Trust (TRUST)	.88	
• My travel consultant can be relied upon to keep his/her promises		.71
• There are times when I find my travel consultant is a bit insincere ^a		.69
• I find it necessary to be cautious in dealing with my travel consultant ^a		.68
• My travel consultant puts the customer's interest before his/her own		.57
• My travel consultant is very honest with me		.74
• I suspect that my travel consultant has sometimes withheld certain information that might have affected my decision making ^a		.60
• All things considered , I trust my travel consultant		.74
Relationship Satisfaction (SAT)	.96	
• I am happy with my decision to use this travel agency		.90
• My choice of this travel agency was a wise one		.91
• I feel good about my decision to use this travel agency		.94
• Overall satisfaction ^b		.86

Note:

All constructs were measured in 5-point Likert Scales, anchored with "strongly disagree and "strongly agree".

a: Reversed Scale

b: Bipolar 5-point Likert Scale, anchored with "very dissatisfied" and "very satisfied"

Table 5.6 (Continued)
Reliability Analysis for Variables in the Model

(b) Independent Variables	Coefficient Alpha	Item-Total Correlation
Service Outcome (OUT)	.90	
• My trip arrangements (accommodation, holidays and/or transportation booking such as flights, coaches, etc.) are always free of errors		.63
• As far as I'm concerned, my travel agency performance is excellent		.83
• The recommendations they make are usually accurate		.80
• My travel agent usually performs the service right the first time		.74
• Their performance in getting a good deal for me is excellent		.76
Salesperson Expertise (EXPERT)	.96	
My Travel Consultant:		
• Is knowledgeable about a wide range of travel and accommodation products.		.75
• Has access to up-to-date travel information		.66
• Knows how to get the best deal for me		.80
• Has various kinds of documentations and/or brochures on different destinations.		.66
• Is never too busy to be contacted whenever I have a problem with my travel arrangements.		.80
• Usually provides prompt service		.72
• Is always willing to help me whenever I have a problem with my travel arrangements.		.82
• Keeps me informed of any changes in my trip itinerary		.78
• Takes a personal interest in me		.79
• Takes the time to understand my specific needs before booking a trip		.83
• Treats me as an individual and not just another customer		.81
• Takes the time to understand my travel preferences		.89
• Has my best interests at heart		.76

Note:

All constructs were measured in 5-point Likert Scales, anchored with "strongly disagree and "strongly agree".

Table 5.6 (Continued)
Reliability Analysis for Variables in the Model

(c) Moderator Variables:

**Coefficient
Alpha** **Item-Total
Correlation**

Psychological Switching Costs (SW)

.90

- On the whole, I would waste a lot of time if I were to change my travel agency. .75
- I will lose the friendly and comfortable relationship if I change. .84
- If I change, I will have to spend a lot of time explaining my travel preferences to the new travel agency. .77
- If I change, there is a risk the new agency won't be as efficient. .73

Alternative Attractiveness (ATTRACT)

.84

- All travel agencies give a similar level of service to customers. .71
- All travel agencies offer a similar range of product and services. .64
- All things considered, most travel agencies are similar. .76

Emotional Motives (EMOT)

.93

My travel consultant:

- Is more likely to treat me like a personal friend .84
- Would have a genuine relationship with me. .86
- Would always recognise me the moment I contact them .84
- Is more likely to make me feel important .79

Rational Motives (RMOT)

.91

My travel consultant:

- Would always search for the cheapest price for me .85
- Would go out on their way to search for the best deal for me .76
- Would be more likely to do what I want .79
- Would be more likely to help me when something goes wrong .80

Note:

All constructs were measured in 5-point Likert Scales, anchored with "strongly disagree and "strongly agree".

5.4 Assessing Potential Multicollinearity

As discussed in Chapter 4, causal path analysis requires a series of multiple regression analyses. One important assumption in regression analysis is that the independent variables do not have excessively high correlations with each other, as it can affect the accuracy of estimated regression coefficients, their standard error, and the likelihood of Type II errors (i.e., failure to detect a "significant" predictor). Hence, prior to testing the regression models, the possible presence of multicollinearity was assessed. Table 5.7 presents the correlation matrix of the key constructs in the model. Mason and Perreault (1991) recommend assessing the effect of multicollinearity by regressing each predictor variable on the other predictor variables to detect linear relationships among the variables. A common rule of thumb suggests that collinearity is a problem if any of the R_k^2 's exceed the R^2 of the overall model. Table 5.8 presents the value of R_k^2 from regressing each predictor variable, one at a time, on the other predictor variables and R^2 of the overall model. The result shows that none of the R_k^2 exceeded the R^2 of the overall model, except the R_k^2 between relationship satisfaction (SAT) and trust (TRUST).

Further, Mason et al. (1991) suggests that collinearity cannot be viewed in isolation, the effect of a given level of collinearity can only be evaluated in conjunction with the other factors, i.e., sample size (n) and the strength of the true population relationship between the predictor variable and the dependent variable (R^2). Their study shows that the effect of collinearity is largely offset when the analysis is based on a large sample ($n > 150$) and/or a model specification that results in a high R^2 . Thus, further analysis was conducted to decide whether the effect of collinearity between relationship satisfaction (SAT) and trust (TRUST) ($r = .77$) was "harmful" or not.

The sample size in this study is 265, thus it can be classified as a large sample. An examination of Table 5.8 indicates that the R^2 of the multiple regression among relationship commitment (COMIT), and relationship satisfaction (SAT) and trust (TRUST) is .57 , which can be categorised as moderate. In addition, the parameter estimates were very stable when the regression analysis was repeated with 70 percent, 80 percent, 85 percent, 90 percent and 95 percent of randomly selected cases from the total sample (see Table 5.9). These findings: large sample size, moderate R^2 and the stability of the parameter estimates, suggest that collinearity between relationship satisfaction (SAT) and trust (TRUST) is not considered as a potential problem in this study. Furthermore, relationship satisfaction and trust are distinctly different theoretical constructs in the literature. Thus both the variables: relationship satisfaction (SAT) and trust (TRUST), were retained in the model.

Table 5.7**Correlation Matrix of Key Constructs in the Model**

		1	2	3	4	5	6	7
1	COMIT	1.00						
2	SAT	.71	1.00					
3	TRUST	.70	.77	1.00				
4	EXPERT	.73	.81	.80	1.00			
5	OUT	.68	.79	.72	.78	1.00		
6	LOP	.43	.29	.31	.34	.32	1.00	

n = 265

Table 5.8
Summary of the R^2 and R_k^2

Regression Analysis	Independent Variable	Dependent Variable	R^2	R_k^2
(a)	EXPERT	SAT	.7254	
	OUT			
	EXPERT	OUT		.6122
(b)	EXPERT	TRUST	.6921	
	OUT			
	LOP			
	SAT			
	EXPERT	OUT		.6122
	EXPERT	LOP		.1287
	EXPERT	SAT		.6637
	OUT	LOP		.1020
	OUT	SAT		.6273
	LOP	SAT		.0854
(c)	SAT	COMIT	.5661	
	TRUST			
	SAT	TRUST		.5958

Table 5.9**Repeated Regression Analysis****(70%, 80%, 85%, 90% and 95% randomly selected cases from total sample)**

Dependent Variable: Relationship Commitment (COMIT)

Independent Variable: Relationship Satisfaction (SAT), Trust (TRUST)

Sample (%)	R^2	B Sat	B Trust	SE Sat	SE Trust	β_{Sat}	β_{Trust}
70	.56	.49	.40	.08	.09	.45	.34
80	.55	.48	.42	.08	.09	.44	.35
85	.56	.49	.42	.08	.09	.46	.35
90	.56	.49	.42	.08	.08	.45	.35
95	.56	.48	.43	.07	.08	.43	.36

Chapter 6

Results and Hypotheses Testing

The preceding chapter presented the descriptive statistics of relevant characteristics of the research sample, reliability and validity analyses of the measures, and correlation analysis of key constructs in the model. The purpose of this chapter is to present further analysis of the data collected and the findings of the study related to the hypotheses advanced in Chapter 3.

This chapter is divided into two parts. Part one discusses the causal path analysis and the model derived from the analysis. In the second part, the hypotheses will be examined to determine if they should be accepted or rejected.

6.1 Causal Path Analysis

Given the potential existence of a set of direct and indirect relationships in the conceptual model, causal path analysis was considered appropriate for investigating the impact of service process, service outcome, length of patronage, relationship satisfaction and trust, on the ultimate dependent variable, relationship commitment. This technique also facilitates the interpretation of linear relationships among a structured set of variables. By postulating a priori a causal ordering of the variables, it is possible to investigate alternative relationships between the independent variables and the dependent variable. The number and magnitude of these relationships (called path coefficients) determine whether the predetermined causal ordering is justified (Deshpande and Zaltman 1982).

6.1.1 Regression Analysis

The initial step in the causal path analysis was to perform a series of ordinary least square (OLS) regressions using each of the three key endogenous constructs, i.e., relationship commitment (COMIT), relationship satisfaction (SAT) and trust (TRUST) in turn as the dependent variable, and the proposed independent variables (as a priori hypothesised) as the explanatory or predictor variables. Although not originally hypothesised in the conceptual model, an inspection of the correlation matrix revealed a modest correlation ($r = .43$) between length of patronage and relationship commitment. Therefore, in the regression analysis stage, length of patronage was included as a potential direct antecedent of relationship commitment as well as an antecedent of trust.

Then, following the recommendations of Duncan (1975), each model was "trimmed" by deleting causal linkages found to have statistically insignificant (i.e., zero) path coefficients, and then re-running the model to arrive at the most parsimonious or "trimmed" model.

In all three regressions, the F-test was used to determine the "goodness-of-fit" for the regression equation and the significance of the coefficient of determination (R^2). The coefficient of determination (R^2) indicated the portion of the dependent variable that is explained by the influence of the variables in the equation. On the other hand, adjusted R^2 attempts to correct, and to more closely reflect the goodness-of-fit of the model in the population. The critical probability level for testing each hypothesis was set at $p < .05$. Therefore, a significance level of .05 or less was required for a variable to enter and remain in the regression equation for further analysis. Detailed results of the series of regression models which will be employed for the causal path analysis are depicted in Tables 6.1 to 6.3. A summary of the regression models is presented in Table 6.4.

As shown in Table 6.2, all regression models were highly significant ($p < .000$). The coefficient of determination (R^2) ranged from .60 in which relationship commitment was used as the dependent variable to .73 in which satisfaction was the dependent variable. Thus the key endogenous variable in this study, relationship commitment (COMIT), has 60 percent of the variation explained by the combined impact of its explanatory variables. The coefficients for the statistically significant explanatory variables were shown to be robust in that they (i.e., the beta coefficients and the accompanying t-statistic) only varied marginally, if at all, upon deleting non-significant variables and re-estimating the models. Furthermore, when the regression analysis was repeated with 70%, 80%, 85%, 90% and 95% randomly selected cases from the total sample, the parameter estimates were very stable.

6.1.2 Derived Path Model

Having examined the regression models, the results of the analyses were used as an input to a path analysis. The standardised regression coefficients (beta) were used as the path coefficients. The path model derived from the regression analyses is shown in Figure 6.1. Broken lines show indirect paths while unbroken lines depict direct paths to the ultimate dependent variables (i.e., relationship commitment). The results indicate that all path coefficients were significantly different from zero at $p < 0.05$, except the path coefficient between length of patronage (LOP) and trust (TRUST). To aid the reader of this thesis, a copy of the summary regression results (Table 6.4) and the empirical path model (Figure 6.1) are included in the inside back cover of this thesis.

6.1.3 Direct and Indirect Effects

Table 6.5 shows the direct, indirect, and total effects of each variable on relationship commitment (COMIT). The indirect effects are derived by multiplying the sequential beta coefficients along any given path. This method (i.e., the Simon-Ballock technique) is commonly used in path analysis (Asher 1983). To illustrate, the indirect effect of relationship satisfaction (SAT) on relationship commitment (COMIT) is: $(.293 \times .332) = .097$ because relationship satisfaction (SAT) is mediated through variable trust (TRUST). The total effects are simply the sum of the direct and indirect effects.

Figure 6.1 shows that three variables have a direct impact on relationship commitment. These are relationship satisfaction, trust, and length of patronage. Two variables, i.e., salesperson expertise and perceived performance (service outcome), have indirect effects via satisfaction and trust, on the ultimate dependent variable, relationship commitment. One remaining variable of the theoretical model, length of patronage, has no indirect effect on the relationship commitment. However, as noted above, it was found to have a significant direct impact on relationship commitment after empirically testing the linkages proposed.

It can be seen from Figure 6.1, that salesperson expertise exerted a strong, direct influence on relationship satisfaction ($\beta = .503$), as well as the influence to trust ($\beta = .472$). The result also suggests that perceived performance (service outcome) plays an important role in determining relationship satisfaction ($\beta = .399$). Service outcome does have a significant direct impact on trust ($\beta = .119$), although not as powerful as its direct impact on relationship satisfaction. As mentioned previously, length of patronage does not appear to have influenced trust (non-significant path), but it exerted a direct influence on relationship commitment ($\beta = .214$). Finally, both

relationship satisfaction and trust are important variables in determining relationship commitment ($\beta = .395$ and $\beta = .332$ respectively).

It also can be seen from Table 6.5 (display direct and indirect effects) that relationship satisfaction has the largest overall impact of all the antecedent variables on relationship commitment (total effect = .492), exceeding sales person expertise, service outcome and trust. The powerful effect of relationship satisfaction is primarily because, as depicted in Table 6.5, it has a large and direct impact on relationship commitment (.395). It also has significant indirect impact via trust (.097), although not as powerful as its direct impact on relationship commitment.

Second, salesperson expertise has the second largest overall impact (total effect = .404) on relationship commitment via relationship satisfaction and trust. Trust does have a significant direct impact on relationship commitment ($\beta = .332$). Perceived performance (service outcome) has a significant indirect impact on relationship commitment via relationship satisfaction and trust (.256) (see Table 6.5). Finally, length of patronage has a significant direct impact on relationship commitment although the impact is the weakest of all independent variables ($\beta = .214$).

Table 6.1

Full Regression Model:

Dependent Variable: Relationship Satisfaction (SAT)

R^2 : .73

Adj. R^2 : .72

Std Error : .44

F Statistic : 345.97

Significance : .0000

Variables Entered	Standardised Beta (β)	T	Sig. T
Salesperson Expertise (EXPERT)	.503	9.7	.0000
Service Outcome (OUT)	.399	7.7	.0000

(n=265)

Table 6.2 (a)

Full Regression Model:

Dependent Variable: Trust (TRUST)

R^2	: .69		
Adj. R^2	: .69	F Statistic	: 146.1113
Std Error	: .42	Significance	: .0000

Variables Entered	Standardised Beta (β)	T	Sig. T
Salesperson Expertise (EXPERT)	.464	7.1	.0000
Length of Patronage (LOP)	.030	.8	.4118
Service Outcome (OUT)	.115	1.9	.0625
Relationship Satisfaction (SAT)	.295	4.5	.0000

(n = 265)

Table 6.2 (b)

"Trimmed" Regression Model:

Dependent Variable: Trust (TRUST)

R^2	: .69		
Adj. R^2	: .69	F Statistic	: 194.8318
Std Error	: .42	Significance	: .0000

Variables Entered	Standardised Beta (β)	T	Sig. T
Salesperson Expertise (EXPERT)	.472	7.3	.0000
Service Outcome (OUT)	.119	1.9	.0526
Relationship Satisfaction (SAT)	.293	4.5	.0000

(n = 265)

Table 6.3

Full Regression Model:

Dependent Variable: Relationship Commitment (COMIT)

R^2 : .60

Adj. R^2 : .60

Std Error : .58

F Statistic : 134.5419

Significance : .0000

Variables Entered	Standardised Beta (β)	T	Sig. T
Trust (TRUST)	.332	5.4	.0000
Length of Patronage (LOP)	.214	5.2	.0000
Relationship Satisfaction (SAT)	.395	6.5	.0000

(n=265)

Table 6.4
Summary of Regression Models (Tables 6.1 to 6.3)

Endogenous Variable:	COMIT	TRUST	SAT
R^2:	.60	.69	.73
Adj. R^2:	.60	.69	.72
Explanatory Variables:	β	β	β
SAT	.395	.293	
TRUST	.332		*
EXPERT	*	.472	.503
OUT	*	.119 a	.399
LOP	.214	n.s.	*

Note:

a : Two tail test of significance $p < 0.05$

n.s. : Not statistically significant

* : No relationship postulated

Table 6.5

Direct, Indirect and Total Effects of Independent Variables on Relationship Commitment (COMIT)

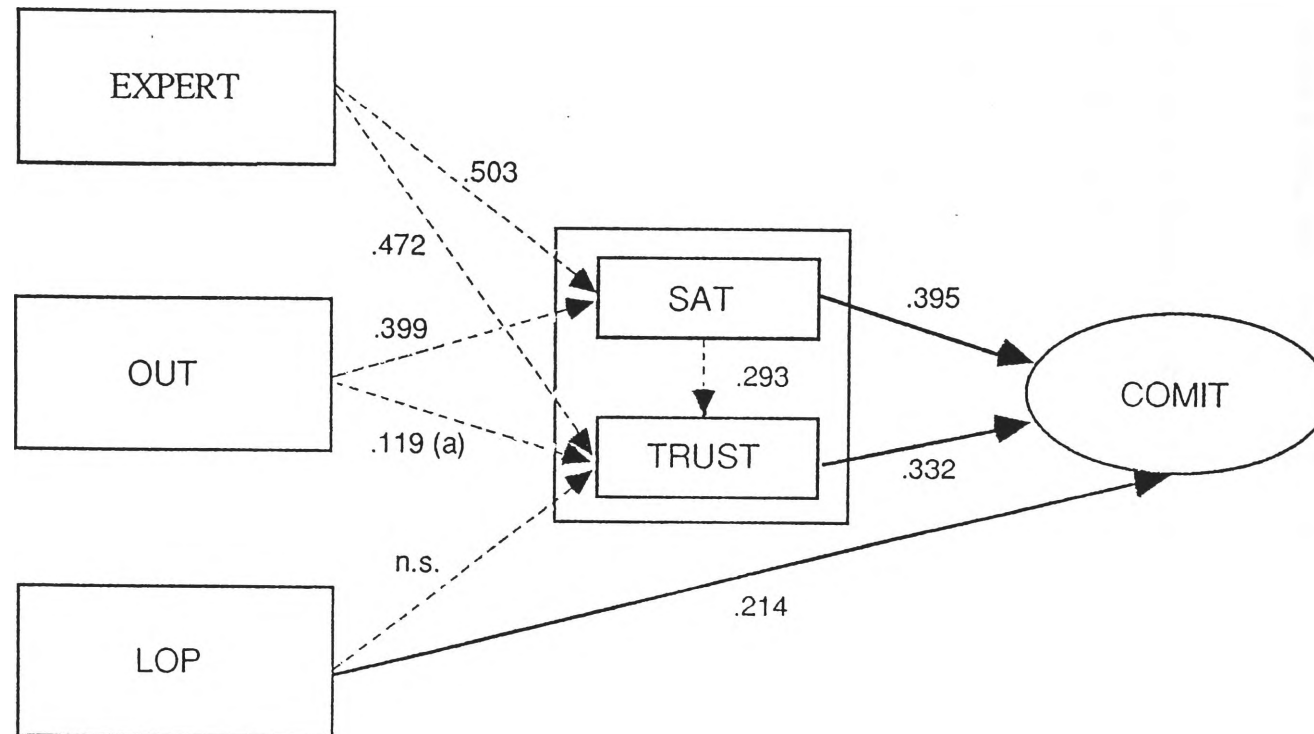
Independent Variable	Direct Effect (1)	Indirect Effect (2)	Total Effect (1) + (2)
EXPERT	*	.404	.404
OUT	*	.236	.236
SAT	.395	.097	.492
TRUST	.332	*	.332
LOP	.214	n.s.	.214

Note:

* : No relationship postulated

n.s. : Not statistically significant at $p < .10$

Figure 6.1
Empirical Model of Relationship Commitment for Travel Agency Services



Note :

- All paths are significant at $p < 0.000$
- (a) : significant at $p < 0.05$
- n.s.: not significant
- -----> = direct effects
- -----> = indirect effects

Legend :

- | | |
|-----------------------------------|---|
| • COMIT = Relationship Commitment | • EXPERT = Salesperson Expertise |
| • TRUST = Trust | • OUT = Perceived Performance (Service Outcome) |
| • SAT = Relationship Satisfaction | • LOP = Length of Patronage |

6.2 Hypotheses Testing

Having examined the derived path model (as per the results in the previous sections of this chapter), this section will now examine the research hypotheses. The meaning and managerial significance of the results of each of the hypotheses tested will then be discussed in the following chapter.

6.2.1 Hypothesised Relationship Between Salesperson Expertise and Relationship Quality

Hypothesis 1a:

Higher salesperson expertise (product knowledge, responsiveness and empathy) perceived by the customer is positively related to relationship satisfaction.

As expected, the large and statistically significant ($p < .000$) positive path coefficient linking salesperson expertise (EXPERT) and relationship satisfaction (SAT) in Figure 6.1 clearly indicates that higher levels of perceived salesperson expertise are positively associated with customer satisfaction. It will be noted also that salesperson expertise (EXPERT) has a higher beta coefficient compared to service outcome (OUT) in the relationship satisfaction (SAT) regression. This indicates salesperson expertise is the most important explanatory variable of relationship satisfaction. Thus there is strong support for hypothesis 1a.

Hypothesis 1b:

Higher salesperson expertise (product knowledge, responsiveness and empathy) perceived by the customer is positively related to trust.

Referring to Figure 6.1 and Table 6.2b, the result suggests that salesperson expertise (EXPERT) has a positive, and statistically significant ($p < .000$) direct path to trust. The positive sign indicates that higher perceptions of salesperson expertise will result in a higher level of trust. The path coefficient (beta) of .47 suggests it is the most important variable (in terms of its direct impact) in explaining trust. Hence, hypothesis 1b is supported.

6.2.2 Hypothesised Relationship Between Service Outcome and Relationship Quality

Hypothesis 2a:

Higher perceived performance (service outcome) will be positively associated with satisfaction with the current relationship.

Table 6.1 and Figure 6.1 show that perceived performance (service outcome) (OUT) was found to have a statistically significant ($p < .000$) positive ($\beta = .399$), direct path to relationship satisfaction. Thus there is sufficient evidence to support hypothesis 2a.

Hypothesis 2b:

Higher perceived performance (service outcome) will be positively associated with customer trust of the travel agent.

An examination of the empirical path model (Figure 6.1) and Table 6.2b shows the path between outcome and trust to be significantly different from zero ($p < 0.05$). The positive sign suggests that a higher level of perceived performance (service outcome) will lead to a higher level of trust. Table 6.4

also shows that perceive performance (service outcome) had only the third most important direct effect on trust. Thus this finding supports hypothesis 2b.

Hypothesis 2c:

Higher levels of relationship satisfaction are associated with increased customer trust.

Table 6.2b and Figure 6.1 suggest that relationship satisfaction (SAT) was found to have a positive, and statistically significant ($p < .000$) direct path to trust (TRUST). The path (beta) coefficient of .29 suggests that it is the second most important explanatory variable in terms of direct impact in the TRUST regression model. Hence, there is sufficient support for this hypothesis.

6.2.3 Hypothesised Relationship Between Length of Patronage and Trust

Hypothesis 3:

Length of patronage will be positively associated with trust.

Contrary to expectation, this research study found length of patronage was not statistically significant ($p = .41$) in determining trust. Hence, hypothesis 3 is not supported. Unlike the literature, which suggests that length of patronage will be positively related to trust, this result is difficult to explain. A possible explanation is that travel agency services being experiential in nature, and relatively easy to evaluate even after only a few transactions. Therefore, even in a short time of period, once the customer is satisfied with the services, he/she may quickly develop trust in the travel consultant.

As mentioned previously in Section 6.1.1, although not originally hypothesised, it was decided upon inspection of the correlation analysis, to include length of patronage in the empirical model. Table 6.3 and Figure 6.1 show that length of patronage has a positive ($\beta = .214$), direct and significant relationship with commitment. It indicates that the longer the customer does business with a particular travel agency, the more likely he/she to stay with the travel agency.

6.2.4 Hypothesised Relationship between Relationship Quality and Relationship Commitment

Hypothesis 4a:

Higher levels of relationship satisfaction will be positively associated with relationship commitment.

An examination of Figure 6.1 shows both the direct and indirect paths between relationship satisfaction and relationship commitment to be statistically significant ($p < .000$). The result (refer Table 6.5) also indicates that relationship satisfaction has the largest total effect on relationship commitment (.492) all of the predictor variables. This result thus provides sufficient evidence for supporting hypothesis 4a.

Hypothesis 4b:

Higher levels of trust with the current travel consultant will be positively associated with relationship commitment.

Referring to Table 6.5 and Figure 6.1, trust was found to have a statistically significant ($p < .000$) positive path coefficient to relationship commitment. In

terms of total effect, trust is only the third most important variable in determining relationship commitment (total effect = .332). Hence hypothesis 4b is supported.

6.2.5 The Effect of Moderator Variables

To investigate the moderating effects of several variables (i.e., perceived psychological switching costs, rational motives and emotional motives), a sub-group analysis (cf. Kohli 1989; Sharma and Gun-Aire 1981) was performed. Specifically, the regression analysis was repeated in subgroups reflecting low and high scores on the three moderator variables. To form a pair of subgroups representing low and high levels of a moderator variable, cases first were sorted in ascending order of that variable. Because the data on the moderator variables was not normally distributed, it was not appropriate to split the groups by using a mean value. Thus, the two subgroups were formed by selecting the top and bottom 40 percent of the cases. The middle 20 percent were dropped to increase the contrast between the subgroups.

Further, the Chow test (Chow 1960) was performed to assess the overall equivalence of parameter values across each of the three pairs of the high and low subgroups. This test assesses whether an overall difference exists in parameter values between groups. It does not test the statistical significance of individual parameter estimates within groups. Therefore, to test whether the individual parameters are statistically different, an unpaired t-test using the *raw* regressions coefficient and their associated standard errors as input was employed. The results are presented in Table 6.6.

Table 6.6

Summary of Regression Analyses and Chow-test of High and Low Subgroups of Moderator Variables

Sample Type	R^2	B_{Sat}	t-test	B_{Trust}	t-test	Chow-test
Low Psychological Switching Cost (n=106, mean = 2.07)	.49	.42	.96 (n.s.)	.33	.43 (n.s.)	F = 73.03
High Psychological Switching Cost (n=106, mean = 4.43)	.23	.31		.37		
Low Alternative Attractiveness (n=106, mean = 1.69)	.54	.46	.82 (n.s.)	.34	1.83 ^a	F = 61.42
High Alternative Attractiveness (n=106, mean = 3.76)	.55	.37		.56		
Low Emotional Motives (n=106, mean = 4.90)	.47	.28	2.95	.46	3.00	F = 79.74
High Emotional Motives (n=106, mean = 20.17)	.35	.59		.13		
Low Rational Motives (n=106, mean = 13.54)	.41	.31	.88 (n.s.)	.43	.08 (n.s.)	F = 43.21
High Rational Motives (n=106, mean = 23.95)	.37	.42		.44		

Note :

n.s. : not statistically significant

a : significant at $p < 0.10$

Moderator Variable: Psychological Switching Costs

Hypothesis 5a:

Under conditions of high psychological switching costs, the relationship between satisfaction and commitment will be stronger.

Hypothesis 5b:

Under conditions of high psychological switching costs, the relationship between trust on relationship commitment will be stronger.

As depicted in Table 6.6 the Chow test result suggests statistical difference ($F = 73.03$) in the slopes of the regression lines associated with switching costs across the high and low perceived switching costs. However, the t-test result shows that the *individual* regression coefficients across different levels of psychological switching costs are not statistically significant. The absence of significance between the individual parameters suggests there is only partial support for both hypotheses 5a and 5b.

Moderator Variable: Alternative Attractiveness

As mentioned previously in Section 5.2.2, although no *a priori* hypothesis was put forward for “alternative attractiveness” dimension, it was nonetheless examined for its moderator effects. The result in Table 6.6 indicates that the slopes of the regression lines across low and high levels of alternative attractiveness are statistically different ($F = 61.42$). However, the t-test cannot conclude that there is a significant difference in the parameter estimates for the satisfaction construct. For trust however, the t-test across subgroup parameters is marginally significant ($p < .10$).

Moderator Variable: Relationship Motives

Hypothesis 6a:

Under conditions of high relationship motives, the relationship between satisfaction and commitment will be stronger.

Hypothesis 6b:

Under conditions of high relationship motives, the relationship between trust and commitment will be weaker.

This research study found relationship motives to have two dimensions: (a) emotional motives and (b) rational motives. As indicated in Table 6.6, the slopes of the regression lines across low and high levels of emotional motives and rational motives are statistically different ($F = 79.74$ and $F = 43.21$). However, the t-test shows the individual regression coefficient to be significantly different only where they are associated with emotional motives. Thus this finding only provides sufficient support for emotional motives as a moderator variable. An increase of regression coefficient (b_{SAT}) in the high group (from .28 to .59) lends support to the argument that under high emotional motives relationship satisfaction will have a greater impact on relationship commitment. In contrast, the regression coefficient (b_{TRUST}) decreases from .46 to .13. In other words, under condition of high emotional motives trust has less impact on relationship commitment. Thus the results provide support for both hypotheses 6a and 6b.

Chapter 7

Discussions and Conclusions

The purpose of this final chapter is to provide a summary and draw together the conclusions of this research. This includes a discussion of the following issues: a review of the objectives of the research and a summary and discussion of the results, managerial and research implications, also limitations of the research.

7.1 Primary Research Purpose

The primary purpose of this study was to develop and empirically test a theoretical model of consumer relationship commitment within the context of low monetary switching costs, consumer services industry, i.e. travel agency services. This research purpose was achieved by employing a cross-sectional study of 265 travel agency customers who had used travel agency services within the past 18 months. The measurement instrument used to collect the data was a self-administered questionnaire. The response rate for the study was approximately 40%. Path analysis was the analytical tool chosen for the major part of the data analysis.

7.2 Summary and Discussion of Results

The empirical results detailed in the previous two chapters will now be discussed with reference to the six research questions posed in the first chapter, which set the direction for this thesis. These research questions will now be discussed in turn.

Research Question 1: “ *To what extent does the travel consultant’s expertise (product knowledge, responsiveness and empathy) directly influence relationship satisfaction and trust ?* ”

As depicted in Figure 6.1, salesperson’s expertise has a direct and positive impact on relationship satisfaction and trust. This finding is consistent with the previous study of Crosby, Evans and Cowles (1990) which suggests that salesperson expertise influences the long-term sales relationship through its direct impact on relationship quality (i.e., relationship satisfaction and trust). This finding is also in accord with Busch and Wilson (1976) and Swan, Trawick and Silva (1985) who claim salesperson competence is an important determinant of customer perceived trust in the salesperson.

However, contrary to hypothesis, this research finding does not support the conclusion that salesperson expertise comprises three dimensions (product knowledge, responsiveness and empathy). One possible measurement related explanation for this finding is that the items modified from the SERVQUAL measure failed to discriminate between the underlying dimensions. However, several studies have also reported that the SERVQUAL measure failed to exhibit the predicted five factor structure (e.g., Cronin and Taylor 1992; Carman 1990). Therefore, further studies need to consider a better measure of salesperson expertise construct which taps the three hypothesised dimensions (product knowledge, responsiveness and empathy).

Research Question 2: *“How important is the role of perceived performance (service outcome) in determining relationship satisfaction/ dissatisfaction, and building and maintaining trust between client and travel consultant ? ”*

Perceived performance (service outcome) was found to have a direct and positive impact on relationship satisfaction as well as on building and maintaining trust between client and travel consultant. This finding is in line with the findings of Cronin and Taylor (1992) and Patterson (1993) which suggests performance is directly related to satisfaction. This result also confirms the findings of Crosby, Evans and Cowles (1990) who claimed consistency in service delivery can lead to trust as being a customer's best assurance of future performance, is a continuous history of personalised and error free interaction.

However, as depicted in Figure 6.1 the relative importance of perceived performance (service outcome) in influencing both relationship satisfaction and trust is less than that of salesperson expertise. This result is understandable since travel agency service is experiential in nature. Thus the perceived performance (service outcome) depends not only on the travel consultant's performance but also on the travel experience which involves other service providers' such as transportation (flight, cruise, or coach) or accommodation (hotel or motel). Therefore relationship satisfaction/ dissatisfaction is not solely attributable to the travel consultant's performance, but also to other service providers which provide the recommended services. When the recommended service is not fulfilled as promised by the travel consultant, the customer may not attribute all of the failure to the consultant's recommendation but he/she is more likely to attribute it directly to other service providers. For example, a customer not satisfied with a hotel service

which was recommended by his/her consultant, may attribute the dissatisfaction to the hotel and not to the travel consultant. Hence, in short, travel consultant expertise in delivering the service is a more important determinant of relationship satisfaction and trust.

Research Question 3: *“Is the trust developed between client and travel consultant a function of length of patronage ? ”*

A priori, it was argued that length of patronage would have a direct effect on trust. However, this was not the case. This result is difficult to explain, since most literature suggests that trust will evolve through time after consistent and satisfying outcomes are received by the customer. A tentative explanation which can be offered is that a travel agency service can be categorised as a non complex service, therefore it is easy to be evaluated during and after consumption. Hence, the customer does not need much basis in experience of trust development; it can be developed in a relatively short time period, on the basis of perceived salesperson expertise, perceived performance and relationship satisfaction. Therefore, once the customer is satisfied with the services, he/she may quickly develop trust in the travel consultant.

Furthermore, although not originally hypothesised, it was decided to include length of patronage as a direct antecedent of commitment. The result shows that length of patronage has in fact a direct significant relationship to commitment. It indicates that the longer the customer does business with a particular travel agency, the more likely he/she to stay with the travel agency. Preliminary evidence was provided by Rust and William (1992) in a study of performing arts ticket holders. Their study shows that length of patronage has a direct impact on repurchase intention in which can be viewed as a

behavioural measure of relationship commitment. This finding thus suggests further examination of a direct relationship between length of patronage and relationship commitment in other types of service industries.

Research Question 4: *“To what extent does the degree of relationship satisfaction and trust mediate the relationship between salesperson expertise, perceived performance (service outcome), and relationship commitment ? ”*

Both satisfaction and trust were found to have a direct impact on relationship commitment. This finding is in line with the previous finding of Crosby, Evans, and Cowles (1990) which suggests that relationship quality (i.e., trust and relationship satisfaction) is an indicator of the health and future well-being of long-term service sales relationships. Trust and relationship satisfaction contribute to a lasting bond by offering assurance that the travel consultant will continue to meet the customer's expectations, and not knowingly distort information or otherwise subvert the customer's trust. The continuity of the interaction thus provides the travel consultant an opportunity to identify the customer's unmet needs and propose new business. However, the travel consultant's ability to close on this opportunity will also depend on the travel consultant's expertise and other factors such as attractiveness that make him/her a persuasive source for the customer (Crosby, Evans and Cowles 1990). This result thus suggests that trust and relationship satisfaction are mediators between salesperson expertise and perceived performance (service outcome) and relationship commitment.

Research Question 5: *“Do psychological switching costs moderate the relationship between trust, relationship satisfaction and relationship commitment ? ”*

The finding of this study does not support the hypothesised position that psychological switching cost will moderate the relationship between trust, relationship satisfaction and relationship commitment. The non-significance of psychological switching costs as a moderator variable brings an important conclusion for this study. The absence of both monetary and psychological switching costs provide support to the claim that in the travel consultant-client relationship, customers will not be bound into relationship that against their will. Therefore, building trust and relationship satisfaction should be of great concern for travel consultants in developing and maintaining long-term relationships.

Although no *a priori* hypothesis was made for the “alternative attractiveness” dimension, an examination of its moderator effect was made. The result indicates that alternative attractiveness only has a marginally significant moderator impact on the linkage between trust and relationship commitment. Smith and Swinyard (1993) and Dick and Basu (1994) have pointed out the impact of several situational factors, such as the attractiveness of competing brands, and availability of the preferred brand on the relationship between satisfaction and loyalty. Further they suggest that those situational factors are potential extraneous events that may introduce inconsistency in an attitude-behaviour relationship. However, in our study, the condition of high or low alternative attractiveness did not impact on the satisfaction-commitment relationship. On the other hand, high alternative attractiveness condition serve to strengthen the linkage between trust and relationship commitment. Thus this result suggests that in a situation of high alternative attractiveness trust has a greater impact on relationship commitment, but not so satisfaction.

Research Question 6: *"To what extent do relationship motives moderate the relationship between trust, satisfaction and commitment?"*

The finding of this study suggests that customer motivation in developing relationship commitment comprises two dimensions, i.e., rational and emotional motivations. This result is supported by several previous studies particularly in attribution theory which typically used the intrinsic-extrinsic term to classify task motivations. In this research study, rational motives can be viewed as extrinsic motives in which a customer chooses to stay with one particular travel agency because he/she is motivated by rational rewards such better service, cheaper price or better understanding provided by the travel consultant. On the other hand emotional motives motivate a customer to develop a relationship with a travel agency because of intrinsic rewards such as a sense of closeness, friendships, or being regarded as an important customer.

Further, it was argued that both emotional and rational motives will moderate the relationship between relationship quality (i.e., relationship satisfaction and trust) and relationship commitment. However, the research finding suggests that only emotional motives moderate the relationship. As depicted in Table 6.6, high emotional motives strengthen the linkage between satisfaction and relationship commitment ($p < .000$). With the presence of high emotional motives, a customer who is satisfied with the relationship will be more likely to develop a long-term relationship with the travel agency compared to the customer with low emotional motives. Or, in short, under high emotional motives, relationship satisfaction has a greater impact on relationship commitment.

On the other hand, the presence of high emotional motives weakens the relationship between trust and relationship commitment ($p < .000$). Or in other words, trust becomes less important in determining relationship commitment under conditions of high emotional motives. Further, high emotional motives appear to activate satisfaction (which itself is strongly affect based) to be the primary determinant of relationship commitment. Interestingly, under conditions of high emotional motives R^2 decreases from .47 (low motive condition) to .35 suggesting other variables are needed to explain relationship commitment in this contingency situation.

7.3 Contributions of the Study

The major contribution of this research is the development and testing of a model of the determinants of relationship commitment for consumer services within low monetary switching costs. Crosby, Evans and Cowles (1990)'s seminal work on developing a model of long-term relationship in the personal selling context, and exploratory work by Morgan and Chada (1993) (life insurance industry), can be characterised as industries with high monetary switching costs. Therefore, the finding of this study adds to our understanding of the relationship commitment development in consumer services, particularly in the low monetary switching costs context. Furthermore, the moderator effects of several constructs, i.e., psychological switching costs, alternative attractiveness, and relationship motives was examined for the first time. Moreover, the path analytic method employed in this study allowed the calculation of both direct and indirect effects of the antecedent variables on relationship commitment, thus further adding to our understanding of the underlying causal processes.

7.4 Managerial Implications

Various managerial implications flow from the results of this research. Managers can utilise the apparent relationships between salesperson expertise, perceived performance (service outcome), length of patronage, and relationship quality (trust and satisfaction), to develop and maintain customer commitment.

First, salesperson expertise was found to be one of the most important variables in determining relationship quality (relationship satisfaction and trust). Salesperson expertise should reflect travel consultant competency both in the travel products and delivery of the service (e.g., understanding customer needs and willingness to help whenever customers find problems with their travel arrangements). Therefore, when hiring sales personnel, managers can screen for both product knowledge skills and the social skills that facilitate establishing and maintaining client-travel consultant relationships.

Second, travel agencies should acknowledge the importance of relationship satisfaction as the most important variable in determining customer commitment. Therefore, monitoring satisfaction either during making the travel arrangements, or after the trip, is very critical. Moreover, trust-building activities should be encouraged and taught to the travel consultant, since trust was shown to be the third most important variable in developing and maintaining the relationship between customer and travel consultant.

Perceived performance (service outcome) was also one of the determinants of relationship quality (relationship satisfaction and trust). Travel consultants would be advised to be reliable in giving travel information and arranging a trip by always making an effort to provide error-free travel arrangements or providing clients with the most accurate travel recommendations. A travel consultant with first-hand travel experience should

be proven to be a reliable source of information. Hence, managers should provide regular travel and training opportunities for their travel consultants. Moreover, assessment of the service level for recommended services such as flights, coaches, attractions or accommodation can then be made .

Length of patronage is also apparent as a direct antecedent of relationship commitment. This result suggests that the longer a customer has been dealing with an agency, the greater the probability that he/she will remain loyal or committed to the relationship. Thus managers should not only attract new customers but make a special effort to manage and nurture their relationship with the existing customers. They might for example, send regular travel information or notice of special deals. Further, they might also occasionally offer price discounts only to long-standing customers.

The existence of emotional motives as a moderator variable of the linkage between relationship quality (customer satisfaction and trust) and commitment suggests that friendship, sense of closeness, and genuine relationship are important features in the relationship development. Therefore, it would be advised that simply closing the sale is not sufficient for establishing and maintaining a long-term relationship. The role of the travel consultant has to be extended not only to be persuasive in selling travel products, but also in creating a close and friendly relationship with the customers.

Finally, the absence of psychological switching costs as a moderator variable suggests that managers should acknowledge the critical importance of relationship satisfaction and trust in developing and maintaining long-term relationship with the customers.

7.5 Limitations of the Research

The first limitation concerns the generalisability of the findings since the respondents who participated in this study were located in only one Australian city. A further limitation concerns the sampling method. In essence, a convenience sample was used because of the difficulties in achieving any other research design (given the difficulties in approaching travel agencies to participate in this study). Furthermore, the possible simultaneous impact of emotional motives and alternative attractiveness could be examined in future studies. Therefore, a more advanced analytical tool might be employed in future research to investigate the impact.

Finally, cross-sectional methods also limit the interpretation of the findings; longitudinal methods would be particularly useful for capturing the dynamic process and the cumulative effects of individual exchange episodes in the long-term relationships.

7.6 Future Research Directions

Certainly, future research should consider additional predictor variables of relationship commitment, such as salesperson characteristics (e.g., perceived similarity, attractiveness), and relationship benefits to extend the model.

Applying the model to other low monetary switching costs consumer services would test the generalisability of the model. Furthermore, as long-term relationship is a dynamic process, future research needs to make use of a longitudinal study, rather than cross-sectional study, to capture the dynamic processes in the relationship.

One of the research findings indicates a direct relationship between length of patronage and relationship commitment. This finding suggests

further examination of a relationship between length of patronage and commitment in other types of services industries.

Clearly, this preliminary research on low monetary switching costs, consumer services suggests that relationship can be developed without the existence of monetary or economic switching barriers such as contract or membership arrangements. Moreover, the establishment of a long-term relationship is influenced by the customer's perception of relationship quality (relationship satisfaction and trust). Future research should modify and extend the model proposed here and/or identify alternative models suitable for representing long-term buyer-seller relationships, in various service industries with similar market characteristics.

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Appendix 1

Correlation Matrix of Dependent, Independent and Moderator Variables

	1	2	3	4	5	6	7	8	9	10
1 COMIT	1.00									
2 SAT	.71	1.00								
3 TRUST	.70	.77	1.00							
4 EXPERT	.73	.81	.80	1.00						
5 OUT	.68	.79	.72	.78	1.00					
6 LOP	.43	.29	.31	.34	.32	1.00				
7 RMOT	.65	.64	.63	.63	.63	.27	1.00			
8 EMOT	.69	.51	.55	.58	.49	.35	.67	1.00		
9 SW	.75	.63	.64	.64	.63	.41	.63	.62	1.00	
10 ATTRACT	-.20	-.07	-.08	-.14	-.01	-.17	-.10	-.28	-.22	1.00

Appendix 2

Descriptive Statistics for All Variables in the Model

Variable	Mean	Standart Deviation	Range
COMIT	3.45	.76	1 - 5
SAT	4.30	.83	1 - 5
TRUST	4.09	.76	1 - 5
EXPERT	4.24	.72	1 - 5
OUT	4.16	.76	1 - 5
SW	3.28	1.17	1 - 5
ALT	2.73	1.02	1 - 5
RMOT	19.02	5.20	1 - 25
EMOT	12.50	7.33	1 - 25
LOP	37.25	36.69	1 - 216

Note:

- Multipleitem measures were averaged to derive a mean score on a 5-point scale.
- RMOT and EMOT were a multiplicative function of the likelihood of receiving relationship benefit and the importance of the benefit.
- LOP was measure in term of months.

Appendix 3

Copy of Questionnaire and Covering Letters



UNIVERSITY OF WOLLONGONG

Department of
Management

Head
Professor Gill Palmer

Covering Letter for Regular Customer

15 August 1995

Dear

Thank you for agreeing to participate in the following survey. This survey is being conducted as part of the course requirements for my Honours Master Degree specialising in Marketing at the University of Wollongong. We are exploring customer opinion on travel agency services in Australia. All data/information collected will be treated as strictly confidential.

It would be much appreciated if you can send the completed questionnaire in the enclosed pre-paid envelope as soon as possible.

If you have any queries regarding the attached questionnaire, please do not hesitate to contact Indriati on (042) 215525 or Paul Patterson on (042) 213687.

Again, thank you very much for taking the time to participate in this survey.

Yours sincerely,

Indriati Wonosoebekti
Project Student.

Associate Professor Paul Patterson
Project Adviser.



UNIVERSITY OF WOLLONGONG

Department of
Management

Head
Professor Gill Palmer

Covering Letter for Irregular Customer

3 July, 1995

Dear Sir/Madam,

I am conducting a survey as a part of the course requirements for my Honours Master Degree specialising in Marketing at the University of Wollongong. We are exploring customer opinion on travel agency services in Australia. We would like to request your participation in this survey and ask you to take a few minutes to complete the enclosed questionnaire. All data/information collected from this survey will be treated as strictly confidential.

It would be much appreciated if you can send the completed questionnaire in the enclosed pre-paid envelope as soon as possible.

If you have any queries regarding the attached questionnaire, please do not hesitate to contact Indriati on (042)-215525 or Paul Patterson on (042)-213687.

Thank you very much for taking the time to participate in this survey.

Yours sincerely,

Indriati Wonosoebekti
Project Student.

Associate Professor Paul Patterson
Project Adviser.

UNIVERSITY OF WOLLONGONG

Department of Management

**A STUDY OF CUSTOMER OPINION
OF TRAVEL AGENCY SERVICES
IN AUSTRALIA**

How to Complete this Questionnaire

Most questions refer mainly to your **views and opinions** of your **Travel Agency and Travel Consultant**.

In most cases I would like you to **circle a number** which best reflects your opinion or behaviour.

**Please read the following important definitions before
commencing this questionnaire**

- (a) **Travel Agency** as defined in this questionnaire refers to the **company** you approached for trip/travel arrangements in the **last 18 months**. While **Travel Consultant** refers to the **particular person** at the travel agency who you dealt with to arrange your trip
- (b) If you dealt with more than 1 travel agency in the last 18 months, please refer to the one you use **on a regular basis**. If you do not regularly use one agency, then please use the **most recent travel agency** as your **point of reference throughout this questionnaire**.
- (c) Would you please mind telling us the **name of the Travel Agency** that you will use as your **point of reference throughout this questionnaire** ?
Name of Travel Agency
- (d) **"Travel agency services"** as defined in this questionnaire relates to travel agency products such as :
- Air trips (overseas and/or domestic)
 - Coach trip
 - Document arrangement, for example visa
 - Accommodation services
 - Holiday packages

BACKGROUND INFORMATION

Q1 When was the last time you dealt with a travel agency to arrange a trip ?

Please write here :

Q2 What kind of product did you purchase at that time ?

Airline ticket - domestic 1 Cruise trip 4

Airline ticket - overseas 2 Accommodation 5

Coach travel 3 Holiday Package 6

Q3 (a) Approximately **how long** have you been dealing with your **present travel agency** ?

Write here : years..... months

(b) During this period, approximately **how many times** have you dealt with this travel agency ?

Write here : times

Q4 In the **past two years**, how many **different travel agencies** have you dealt with ?

Please write here :

If you dealt with more than one travel agency, would you please write the reasons why you did so ?

.....

Q5 How important is it to you that you are able to deal with the **same person** (travel consultant) each time you do business with a particular travel agency ?

Circle a number to reflect your opinion. If **not important at all** circle a 1, if **very important** then circle a 5, and so on.

Not Important At All	1	2	3	4	5	Very Important
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- Q6 If the individual travel consultant you always deal with left the agency, would you continue to do business there ?

Definitely Not	1	2	3	4	5	Definitely Yes
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YOUR OPINION OF YOUR TRAVEL CONSULTANT'S PERFORMANCE

- Q7. We would like your opinion of how your travel consultant **has performed** in meeting your needs. Do this by circling one of the five numbers next to each statement. If you **strongly agree** with the statement, circle a **5**. If you **strongly disagree** then circle a **1**. If your feeling are not strong, circle one of the numbers in the middle. There are no right or wrong answers - we are simply interested in your views.

My travel consultant :	Strongly Disagree					Strongly Agree				
Is knowledgeable about a wide range of travel and accommodation products.	1	2	3	4	5					
Has access to travel up to date travel information.	1	2	3	4	5					
Takes a personal interest in me	1	2	3	4	5					
Keeps me informed of any changes in my trip itinerary.	1	2	3	4	5					
Is never too busy to be contacted whenever I have a problem with my travel arrangements.	1	2	3	4	5					
Takes the time to understand my specific needs before booking a trip.	1	2	3	4	5					
Usually provides prompt service.	1	2	3	4	5					
Knows how to get the best deal for me.	1	2	3	4	5					
Treats me as an individual and not just another customer.	1	2	3	4	5					
Takes the time to understand my travel preferences.	1	2	3	4	5					
Is always willing to help me whenever I have a problem with my travel arrangements.	1	2	3	4	5					
Has various kinds of documentations and/or brochures on different destinations.	1	2	3	4	5					
Has my best interests at heart	1	2	3	4	5					

- Q8 Now, please think about the travel products (e.g., airtrips, coachtrips, holiday package, accommodation, etc) you have purchased through your travel agency over the past 18 months. Again, **circle a number for Each Statement** to indicate the extent to which you agree or disagree.

	Strongly Disagree				Strongly Agree
	1	2	3	4	5
My trip arrangements (accommodation, holidays and/or transportation booking such as flights, coaches, etc) are always free of errors.					
As far as I'm concerned, my travel agency performance is excellent.					
The recommendations they make are usually accurate.					
My travel agent usually performs the service right the first time.					
Their performance in getting a good deal for me is excellent.					

- Q9 Please read each statement carefully and indicate the extent to which you agree of disagree. Simply circle one number corresponding to each statement.

	Strongly Disagree				Strongly Agree
	1	2	3	4	5
My travel consultant can be relied upon to keep his/her promises.					
There are times when I find my travel consultant is a bit insincere.					
I find it necessary to be cautious in dealing with my travel consultant.					
My travel consultant puts the customer's interest before his/her own.					
My travel consultant is very honest with me.					
I suspect that my travel consultant has sometimes withheld certain information that might have affected my decision making.					
All things considered, I trust my travel consultant.					

OVERALL SATISFACTION / DISSATISFACTION

- Q10 Now we would like your opinion about your current relationship with your travel agency. Simply circle one number corresponding to each statement.

	Strongly Disagree				Strongly Agree
	1	2	3	4	5
I am happy with my decision to use this travel agency.					
My choice of this travel agency was a wise one.					
I feel good about my decision to use this travel agency.					

- Q11 Taking everything into consideration, how do you feel about the service you received from the travel agency.

Very Dissatisfied	1	2	3	4	5	Very Satisfied
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- Q12 Would you recommend this travel agency to a close friend ?

Definitely Not	1	2	3	4	5	Definitely Yes
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- Q13 We would like to know your opinion about changing travel agencies. If you **strongly agree** with a statement, circle a **5**. If you **strongly disagree** then circle a **1**. If your feelings are not strong, circle one of the numbers in the middle.

	Strongly Disagree				Strongly Agree
On the whole, I would waste a lot of time if I were to change my travel agency.	1	2	3	4	5
I will lose the friendly and comfortable relationship if I change.	1	2	3	4	5
If I change, I will have to spend a lot of time explaining my travel preferences to the new travel agency.	1	2	3	4	5
If I change, there is a risk the new agency won't be as efficient.	1	2	3	4	5
All travel agencies are much the same, so it would not really matter if I changed.	1	2	3	4	5
The price across products charged by travel agencies are similar.	1	2	3	4	5
All travel agencies give a similar level of service to customers.	1	2	3	4	5
All travel agencies offer a similar range of products and services.	1	2	3	4	5
All things considered, most travel agencies are similar.	1	2	3	4	5

Q14 RELATIONSHIP BENEFITS

Some customers see significant advantages in continuing to deal with one travel agency. We would like to know, **if you were** to continue to stay with the one agency, **how likely** do you believe that you would get the following benefits. Also, **how important** are each of the following benefits to you.

To answer this question, initially go down the first column (headed "My travel consultant") and indicate the likelihood to get each of the benefit by circling a 1 if it's **highly unlikely** or a 5 if it's **highly likely** to get the benefit. If you are uncertain, circle one of the numbers in the middle. Then please indicate the **importance** of each benefit to you.

My travel consultant :	Highly Unlikely					Highly Likely					Important Not at all Very				
Would always recognise me the moment I contact them.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Would have a genuine relationship with me.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Is more likely to treat me like a personal friend.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Is more likely to make me feel important.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Is more likely to listen to my needs.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Would go out on their way to search for the best deal for me.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Would pay more attention to my specific needs.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Would always search for the cheapest price for me.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Would more likely help me when something goes wrong.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
Would be more likely to do what I want.	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5

Q15 Now, we would like to know your opinion toward your relationship with your **current** travel agency. Simply circle one number corresponding to your opinion for each statement.

	Strongly Disagree					Strongly Agree				
I'm committed to my relationship with my travel agency.	1	2	3	4	5	1	2	3	4	5
I wish to maintain the relationship with my travel agency.	1	2	3	4	5	1	2	3	4	5
I'm patient with my travel agency if they make a mistake.	1	2	3	4	5	1	2	3	4	5
I am not looking out for another travel agency to replace the present one.	1	2	3	4	5	1	2	3	4	5
The relationship is important to maintain.	1	2	3	4	5	1	2	3	4	5

- Q16 Taking everything into account, what are the chances you will continue using your present travel agency in the next 12 months ?
Please circle ONE number only.

Certain	10
Almost sure (9 chances in 10)	9
Very probable (8 chances in 10)	8
Probable (7 chances in 10)	7
Good possibility (6 chances in 10)	6
Fairly good possibility (5 chances in 10)	5
Fairly possible (4 chances in 10)	4
Some possibility (3 chances in 10)	3
Slight possibility (2 chances in 10)	2
Very slight possibility (1 chance in 10)	1
No chance, almost no chance (1 in 100)	0

RESPONDENT PROFILE

Finally, in this last section, we would like to ask you some questions about yourself.
Again, circle ONE number for Each Question.

- Q17 (a) How experienced would you say you are in **dealing with travel agencies** ?

Inexperienced	1	2	3	4	5	Very Experienced
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- (b) In general, how experienced are you **as a traveller** ?

Inexperienced	1	2	3	4	5	Very Experienced
---------------	---	---	---	---	---	------------------

- Q18 How often do you use the services of a travel agency ?
times per year

- Q19 The purpose of most of the trip arranged by your travel agency are :
Personal Trips 1 Business Trips 2
- Q20 To which of the following age categories do you belong ?
Under 18 years 1 45 - 54 years 5
18 - 24 years. 2 55 - 64 years 6
25 - 34 years 3 Over 65 years 7
35 - 44 years 4
- Q21 Are you :
Male 1 Female 2
- Q22 Your occupation ?

THANK YOU FOR YOUR COOPERATION

Please return your completed questionnaire to us in the reply paid enveloped provided.